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ABSTRACT

These hearings concern proposed legislation to replace Aid to Families with Dependent Children (AFDC) with a new family support program. The new program would emphasize work, child support, and need-based family support supplements. Families would be assisted in obtaining education, training, and employment in order to avoid long-term dependence on welfare. Numerous witnesses from government, social service, and political organizations testified. Their comments and concerns included the following: (1) the new program must be phased in slowly with small incremental changes; (2) the Federal Government should provide the primary financial support but the states should administer the program; (3) any job search activities must be preceded by basic education, remediation, and skills training; (4) there is an urgent need for transitional Medicaid for those who leave the welfare roles; (5) determination of paternity for all children could waste time and money; (6) visitation and support payments should not be linked; (7) automated systems should be used to track all child support cases; (8) the caps on reimbursement for child care are too low; (9) the work program must have linkages with the business community; and (10) the issue of the lack of affordable housing must be addressed. Graphs and tables accompany the testimony. (VM)

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FAMILY WELFARE REFORM ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 1720

TO REPLACE THE EXISTING AFDC PROGRAM WITH A NEW FAMILY SUPPORT PROGRAM WHICH EMPHASIZES WORK, CHILD SUPPORT, AND NEED-BASE FAMILY SUPPORT SUPPLEMENTS, TO AMEND TITLE IV OF THE SOCIAL SECURITY ACT TO ENCOURAGE AND ASSIST NEEDY CHILDREN AND PARENTS UNDER THE NEW PROGRAM TO OBTAIN THE EDUCATION, TRAINING, AND EMPLOYMENT NEEDED TO AVOID LONG-TERM WELFARE DEPENDENCE, AND TO MAKE OTHER NECESSARY IMPROVEMENTS TO ASSURE THAT THE NEW PROGRAM WILL BE MORE EFFECTIVE IN ACHIEVING ITS OBJECTIVES

MARCH 30; APRIL 1, 1987

Serial 100-38

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FAMILY WELFARE REFORM ACT

MONDAY, MARCH 30, 1987

House of Representatives,
Committee, on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:50 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing and the bill, H.R. 1720, follow:]

FOR IMMEDIATE RELEASE
THURSDAY, MARCH 19, 1987

PRESS RELEASE #5
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
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THE HONORABLE HAROLD FORD (D., TENN.), CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES HEARINGS ON H.R. 1720, THE FAMILY WELFARE REFORM ACT

The Honorable Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will hold two days of hearings on H.R. 1720, the Family Welfare Reform Act. The hearings will be held on Monday, March 30, 1987, and on Wednesday, April 1, 1987. Both hearings will begin at 9:30 a.m. in room B-318 Rayburn House Office Building.

In announcing the hearings, Chairman Ford stated, "These will be the final two days of hearings that the Subcommittee will have on welfare reform. Our purpose will be to carefully review the provisions of H.R. 1720. We will begin mark-up of the bill on April 2."

The Subcommittee will hear testimony at these hearings from invited witnesses only. The opportunity for other individuals to testify has been provided at previous hearings.

WRITTEN STATEMENTS FOR THE RECORD OF THE HEARING

Persons wishing to submit written statements for the printed record of the hearing should submit at least six (6) copies of their statements by the close of business Wednesday, April 1, 1987, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearings wish to have their statements distributed to the press and interested public, they may provide 75 additional copies for this purpose to the Subcommittee office, room B-317 Rayburn House Office Building, before the hearing begins.

SEE ENCLOSED FORMATTING REQUIREMENTS.

******

I

100TH CONGRESS
1ST SESSION

H. R. 1720

To replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1987

Mr. FORD of Tennessee (for himself, Mr. ROSTENKOWSKI, Mr. FOLEY, Mr. COELHO, Mr. GRAY of Pennsylvania, Mr. DOWNEY of New York, Mr. PEASE, Mr. MATSUI, Mrs. KENNELLY, Mr. DONNELLY, Mr. ANDREWS, Mr. GIBBONS, Mr. RANGEL, Mr. STARK, Mr. JACOBS, Mr. GEPHARDT, Mr. GUARINI, Mr. ANTHONY, Mr. FLIPPO, Mr. DORGAN of North Dakota, Mr. COYNE, Mr. LEVIN of Michigan, Mr. MOODY, Mr. DINGELL, Mr. MILLER of California, Mr. ST GERMAIN, Mr. LELAND, Mr. WAXMAN, Mr. PANETTA, Mr. WHEAT, Mr. FAUNTROY, Mr. ESPY, Mr. MFUME, Mr. VISCLOSKY, Mr. DELLUMS, Mr. LOWRY of Washington, Mr. OBERSTAR, Mr. PRICE of Illinois, Mr. RICHARDSON, Mr. ROBINSON, Mr. DYMALLY, Ms. OAKAR, Mr. RAHALL, Mr. LEWIS of Georgia, Mrs. COLLINS, Mr. BUSTAMANTE, Mr. FRANK, Mr. CLAY, Mr. ALEXANDER, Mr. DIXON, Mr. OWENS of New York, Mr. KENNEDY, Mr. OWENS of Utah, Mr. FLAKE, and Mr. MINETA) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition referred to the Committee on Education and Labor for consideration of such provisions of title I of the bill as fall within the jurisdiction of that committee under clause 1(g), rule X, and to the Committee on Energy and Commerce for consideration of such provisions of title IV of the bill as fall within the jurisdiction of that committee under clause 1(h), rule X

A BILL

To replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Family Welfare Reform Act of 1987".

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.
Sec. 2. AFDC replaced by family support program.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

Sec. 101. Establishment of network program.
Sec. 102. Related substantive amendments.
Sec. 103. Technical and conforming amendments.
Sec. 104. Effective date.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

Sec. 201. Payment of expenses by States.
Sec. 202. Development of new child care resources.
Sec. 203. Payment of other expenses.
Sec. 204. Effective date.

TITLE III—REAL WORK INCENTIVES

Sec. 301. Changes in earned income disregards.
Sec. 302. Governmental payments to be disregarded for purposes of support and maintenance of household tests.
Sec. 303. Effective date.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

Sec. 401. Medicaid eligibility.
Sec. 402. Effective date.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

Sec. 501. State guidelines for child support award amounts.
Sec. 502. Establishment of paternity.
Sec. 503. Demonstration projects to address visitation problems.
Sec. 504. Disregarding of child support payments for FSP purposes.
Sec. 505. Requirement of prompt State response to requests for child support assistance.
Sec. 506. Automated tracking and monitoring systems made mandatory.
Sec. 507. Costs of interstate enforcement demonstrations excluded in computing incentive payments.
Sec. 508. Effective date.

TITLE VI—PRO-FAMILY WELFARE POLICIES

Sec. 601. Requirement that aid be provided with respect to dependent children in two-parent families.
Sec. 602. Special provisions for families headed by minor parents.

TITLE VII—BENEFIT IMPROVEMENTS

Sec. 701. Periodic re-evaluations of need and payment standards.
Sec. 702. Encouragement of States to increase FSP benefit levels.
Sec. 703. Mandatory State FSP benefit level.

TITLE VIII—MISCELLANEOUS PROVISIONS

Sec. 801. Coordination of family support program and food stamp policies.
Sec. 802. Uniform reporting requirements.
Sec. 803. Technical and conforming amendments relating to replacement of AFDC program by family support program.

SEC. 2. AFDC REPLACED BY FAMILY SUPPORT PROGRAM.

The program under part A of title IV of the Social Security Act, heretofore known as the program of aid to families with dependent children, shall hereafter be known as the Family Support Program, and the aid paid to needy families with dependent children in accordance with State plans approved under part A of title IV of such Act shall hereafter be called family support supplements, as more specifically provided in the amendments made by this Act.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

SEC. 101. ESTABLISHMENT OF NETWORK PROGRAM.

(a) STATE PLAN REQUIREMENT.—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide that the State has in effect and operation an education, training, and work program, approved by the Secretary and meeting all of the requirements of section 416;".

(b) ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.—Part A of title IV of such Act is amended by adding at the end thereof the following new section:

"NATIONAL EDUCATION, TRAINING, AND WORK PROGRAM

"SEC. 416. (a) PURPOSE.—It is the purpose of this section to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

"(b) ESTABLISHMENT AND OPERATION OF PROGRAMS.—(1) As a condition of its participation in the Family Support Program under this part, each State shall establish and operate an education, training, and work program which has been approved by the Secretary as meeting all of the requirements of this section, and shall make the program available in each political subdivision of the State where it is feasible to do so after taking into account the number of prospective participants, the local economy, and other relevant factors. The Secretary's approval shall be based on a plan setting forth and describing the program and estimating the number of persons to be served, which shall be submitted by the State on or before the effective date of this section and which, if the State has determined that the program is not to be available in all of its political subdivisions, shall include appropriate justification for that determination.

"(2) Each State education, training, and work program under this section shall include private sector involvement in planning and program design to assure that participants are trained for jobs that will actually be available in the community.

"(3) The State agency which administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the operation and administration of the State's education, training, and work program under this section.

"(4) Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

"(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (4) shall be required to participate in the program under this section to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State agency shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (4)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

"(2) The State may require participation in the program under this section by recipients who are not exempt under paragraph (4) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (4) (hereinafter referred to as 'volunteers'). The State shall actively encourage volunteers to participate in the program, and shall from time to time furnish to the Secretary appropriate assurances that it is doing so.

"(3) With the objective of making the most effective possible use of the State's resources and identifying the families which most urgently need the services and activities provided under the program under this section, the program shall designate specific target populations including—

"(A) families with teenage parents, and families with parents who were under 18 years of age when their first child was born;

"(B) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years; and

"(C) families with children under 6 years of age.

For purposes of subparagraph (B), a family that has received aid to families with dependent children or family support supplements for at least 20 months out of any period of 24 consecutive months shall be treated as having received such aid or supplements continuously during that period.

"(4) The following are exempt from participation in the program under this section:

"(A) an individual who is ill, incapacitated, or 60 years of age or over;

"(B) an individual who is needed in the home because of the illness or incapacity of another family member;

"(C) the parent or other relative of a child under 6 years of age (subject to the last sentence of this paragraph); except that—

"(i) the State at its option may require participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and relatives of children who have attained the age of 3 but not the age of 6, and

"(ii) the State shall permit and encourage such participation (and waive such exemption) in the case of parents and relatives of children who have not attained 3 years of age,

but (in either case) only in cases where day care is guaranteed to the parent or relative involved and such parent's or relative's participation in the program is on a part-time basis, and

"(iii) the Secretary may permit the State at its option to require participation in the program (and waive such exemption) in the case of parents and relatives of children who have not attained 3 years of age if (I) the State demonstrates to the satisfaction of the Secretary that appropriate infant care for such children can be guaranteed within the applicable dollar limitations set forth in section 402(g), and (II) such parent's or relative's participation will be on a part-time basis;

"(D) an individual who is working 20 or more hours a week;

"(E) a woman who is pregnant; and

"(F) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family, the exemption under subparagraph (C) shall apply only to one parent or relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require their participation in the program, at least one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

"(5) If the adult caretaker of the family is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation in the program under this section, such attendance may constitute satisfactory participation in the program so long as it continues; and the family's employability plan shall so indicate (but the costs of such school or training shall not be paid under the program or constitute federally reimbursable expenses for purposes of section 403).

"(d) PRIORITIES.—To the extent that the State's resources do not permit the inclusion in the program of all mandatory participants and volunteers, the selection of the families to whom services are to be provided under the program under this section shall be made (subject to subsection (l)(2)) in accordance with the following priorities:

"(1) First priority shall be given to volunteers, and mandatory participants, who are described in subparagraphs (A), (B), and (C) of paragraph (3) (in such proportions of volunteers and mandatory participants as the State may determine).

"(2) Second priority shall be given to mandatory participants in families (not described in paragraph (1)) with older children.

"(3) Third priority shall be given to volunteers not described in paragraph (1).

(4) Fourth priority shall be given to all other mandatory participants.

For purposes of paragraph (2), a family 'with older children' is a family in which the youngest child is within two years of being ineligible for family support supplements because of his or her age.

"(e) ORIENTATION.—The State agency shall provide each applicant for family support supplements with orientation to the network program, including full information about the opportunities offered by the program and the obligations of participants in the program (and including a description of day care services). Such orientation shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

"(f) ASSESSMENT AND EMPLOYABILITY PLAN.—The State agency shall make an initial assessment of the educational needs, skills, and employability of each participant in the program under this section, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker, and on the basis of such assessment shall develop an employability plan for the family of which the participant is a member. To the maximum extent possible, the employability plan shall reflect the preferences of the family member involved.

"(g) CONTRACT AND CASE MANAGEMENT.—(1) Following the initial assessment and the development of the employability plan with respect to any participant in the program under this section, the participant (or the adult caretaker in the family of which the participant is a member) shall negotiate and enter into a contract with the State agency including a commitment by the participant (or caretaker) to participate in the program in accordance with the employability plan, specifying the duration of such participation, and detailing the activities which the State will conduct and the services which the State will provide in the course of such participation. The participant (or caretaker) shall be given such assistance as he or she may require in reviewing and understanding the contract, and shall be granted an opportunity for a fair hearing before the State agency in the event of a dispute involving the signing of the contract or the nature or extent of his or her participation in the program as specified therein.

"(2) The State agency shall assign to each participating family a member of the agency staff to provide case management services to the family; and the case manager so assigned shall be responsible for obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation.

"(h) RANGE OF SERVICES AND ACTIVITIES.—(1) In carrying out the program under this section, each State must make available a broad range of services and activities calculated to aid in carrying out the purpose of this section, specifically including (subject to the last sentence of this paragraph)—

"(A) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma, except in the case of a participant who demonstrates a basic literacy level and whose employability plan identifies a long-term employment goal that does not require a high school diploma;

"(B) remedial education to achieve a basic literacy level, instruction in English as a second language, and specialized advanced education in appropriate cases;

"(C) group and individual job search as described in subsection (k);

"(D) on-the-job training;

"(E) skills training;

"(F) work supplementation programs as provided in subsection (i);

"(G) community work experience programs as provided in subsection (j);

"(H) job readiness activities to help prepare participants for work;

"(I) counseling, information, and referral for participants experiencing personal and family problems which may be affecting their ability to work;

"(J) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement as needed; and

"(K) other education and training activities as determined by the State and allowed by regulations of the Secretary.

The State must in any event make available the services and activities described in subparagraphs (A), (B), (C), (H), (I), and (J) along with the services and activities described in at least two of the remaining subparagraphs.

"(2) Children in participating families shall be encouraged to take part in any of the education or training programs available under the program; and the State must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills (including services provided under a demonstration program conducted pursuant to section 1115(d)). Training activities in which such children participate may not, however, be permitted to interfere with their school attendance.

"(3)(A) Each work assignment of a participant under the program shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant.

"(B) Before assigning any participant to a job under the program, the State shall assure that—

"(i) appropriate standards for health, safety, and other conditions are applicable to the performance of work in such job;

"(ii) the conditions of work in such job are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant; and

"(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

"(4)(A) No work assignment under the program shall result in the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements. No participant shall be employed to fill a job opening when (i) any individual is on layoff from the same or any substantially equivalent job, or (ii) the employer has terminated the employment of any regular employee in the same or any substantially equivalent job.

"(B)(i) Whenever any employee of a business or other entity employing participants under this section, or any labor organization representing employees of such an entity, submits to the Secretary a complaint alleging that subparagraph (A) has been violated, a copy of such complaint shall be transmitted at the same time to such entity. An opportunity shall be afforded to such entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of such complaint.

"(ii) An official who shall be designated by the Secretary shall review any complaint submitted in accordance with clause (i), and conduct such investigation as may be necessary, to ascertain the accuracy of the information set forth or alleged and to determine whether there is substantial evidence that the affected activities fail to comply with subparagraph (A). Such official shall report his findings and recommendations to the Secretary within 60 days after commencing the review and investigation.

"(iii) The Secretary, within 45 days after receiving the report under clause (ii) and after considering legitimate bases for layoffs or terminations of employees not subsidized under this section within the same employing entity, shall issue a final determination as to whether a violation of subparagraph (A) has occurred.

"(iv) The Secretary shall institute proceedings to compel the repayment of any funds determined to have been expended in violation of subparagraph (A).

"(5) Wage rates for jobs to which participants are assigned shall be at least equal to the applicable minimum wage; and appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other employed individuals in the State.

"(6) The State may not require a participant in the program to accept a job under the program (as work supplementation or otherwise) if accepting the job would result in a net loss of income (including the insurance value of any health benefits) to the participant or his or her family.

"(7) Program activities under this section shall be coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in the State. Each State shall be encouraged to establish an advisory committee (including educators, representatives of the business community, and others) to provide advice and counsel with respect to the operation of the program, and to coordinate the activities of such committee with similar activities under the Job Training Partnership Act.

"(8) In carrying out the program under this section, the State may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities made available under the program.

"(i) WORK SUPPLEMENTATION PROGRAM.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

"(2)(A) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection.

"(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of aid may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

"(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program (subject to paragraph (2)(D)). Payments by the State to individuals or to employers under the program shall be treated as expenditures incurred by the State for family support supplements except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this section, a supplemented job is—

"(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or "(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program which such State determines to be appropriate.

"(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid payable to the family of such individual for any month shall be determined on the basis of the income and other relevant circumstances in that month).

"(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this subsection had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program.

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity, during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(7) No individual receiving family support supplements under the State plan shall be excused, by reason of the fact that such State has a work supplementation program, from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

"(j) Community Work Experience Programs.—(1)(A) Any State which chooses to do so may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

"(B) A State which elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either—

"(i) works or undergoes training (or both) for a period not exceeding 12 months, with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of the family support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage (and the portion of a recipient's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining the number of hours that such individual may be required to work); or

"(ii) performs unpaid work experience or training (for not more than 30 hours a week) for a period not exceeding 3 months.

"(C) Nothing contained in this subsection shall be construed as authorizing the payment of family support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

"(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection.

"(E) Participants in community work experience programs under this subsection may, subject to subsection (h)(5), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

"(F) If at the conclusion of his or her participation in a community work experience program the individual has not become employed, a reassessment with respect to such individual shall be made and a new employability plan developed as provided in subsection (f).

"(2) The State shall provide coordination between a community work experience program operated pursuant to this subsection, any program of job search under subsection (k), and the other work-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program.

"(3) In the case of any State which makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the operation and administration of the program under this section, for purposes of section 403(a)(4) (and expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3)), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program.

"(k) JOB SEARCH.—(1) The State agency shall establish and carry out a program of job search for applicants and participants in the program under this section.

"(2) Participants in the program under this section shall be encouraged and may be required to take part in job search under this subsection, at such times, for such periods, and in such manner as the State agency determines (in each particular case) will be most effective in serving the special needs and interests of the individual involved and in carrying out the purpose of this section. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a participant may be required or provided for both before and after his or her initial assessment, both during and after his or her education or training, and at other appropriate times during his or her participation in the program under this section, as may be set forth in the contract between such individual and the State agency under subsection (g)(1) and as otherwise provided by such agency.

"(3) Participation by an individual in job search under this subsection, without participation in one or more other services or activities offered under the program under this section, shall not be sufficient to qualify as participation in the program for any of the purposes of this section after it has continued for 8 weeks or longer without the individual obtaining a job. In any such case (after 8 weeks of job search without obtaining a job) the individual must engage in training, education, or other activities designed to improve his or her prospects for employment; and the individual's employability plan developed under subsection (f) shall so provide.

"(l) SANCTIONS.—(1) If any mandatory participant in the program under this section fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

"(A) such participant's needs shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7) if such family is eligible for family support supplements under the State plan approved under section 402(a) without regard to section 407, or

"(B) family support supplements under the State plan approved under section 402(a) shall be denied to all members of the participant's family if such family is eligible for such supplements by reason of section 407.

The sanction described in subparagraph (A) or (B) shall continue until the failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure. In either event, when any failure to comply has continued for 3 months the State agency shall promptly remind the participant in writing of his or her option to end the sanction by terminating such failure.

"(2) If a volunteer drops out of the program under this section after having commenced participation in such program, he or she shall thereafter be given no priority under subsection (d).

"(m) REGULATIONS.—Within 6 months after the date of the enactment of this section, the Secretary shall issue proposed regulations for the purpose of implementing and carrying out the program under this section, including regulations establishing uniform data collection requirements; and within 12 months after such date the Secretary shall publish final regulations for that purpose.

"(n) PERFORMANCE STANDARDS.—(1) Within one year after the date of the enactment of this section, the Secretary, in consultation with the Congress, the States and localities, educators, and other interested persons, shall develop and publish performance standards for the program under this section. Such standards shall at a minimum—

"(A) provide methods for rewarding States that target their programs to those individuals within each priority group (as described in subsection (d)) who will have the most difficulty finding employment;

"(B) provide methods for rewarding States that provide intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

"(C) provide methods for rewarding States that place strong emphasis on participation by volunteers among the priority groups described in subsection (d);

"(D) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

"(E) establish expectations for placement rates, including the minimum rate at which participants within each priority group (as described in subsection (d)) are to be placed in jobs or complete their education or both;

"(F) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the employment program; and

"(G) take into account such other factors as are deemed important.

"(2) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the rate of the Federal payments to States under section 403(a)(4) so as to reflect the relative effectiveness of the various States in carrying out the program under this section and achieving its purpose.

"(o) CONTINUING EVALUATION.—The Secretary shall provide for the continuing evaluation of the programs established under this section by the several States, including their effectiveness in achieving the purpose of this section and their impact on other related programs. The Secretary shall also—

"(1) provide for the conduct of research on ways to increase the effectiveness of such programs, including research on—

"(A) the effectiveness of giving priority to volunteers,

"(B) appropriate strategies for assisting two-parent families, "(C) the wage rates of individuals placed in jobs as a result of such programs,

"(D) the approaches that are most effective in meeting the needs of specific groups and types of participants (such as teenage parents, older parents, families including disabled persons, etc.), and

"(E) the effect of targeting on families which include children below 6 years of age; and

"(2) provide technical assistance to States, localities, schools, and employers who may participate in the programs and who require such assistance.

"(p) UNIFORM REPORTING REQUIREMENTS.—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum the average monthly number of families assisted under this section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished shall be separately stated with respect to each of the services and activities enumerated in subsection (h) and with respect to each of the activities described in subsections (i), (j), and (k).".

SEC. 102. RELATED SUBSTANTIVE AMENDMENTS.

(a) FEDERAL MATCHING RATE.—(1) Section 403(a) of the Social Security Act is amended by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State (subject to the last sentence of this subsection), an amount equal to 75 percent of the total amount expended during such quarter for the operation and administration of the program under section 416 (including the activities and programs described in subsections (i), (j), and (k) thereof); and".

(2) Section 403(a) of such Act is further amended by adding at the end thereof the following new sentence: "Paragraph (4) of this subsection shall apply to any State, with respect to the expenditures described therein, only if at least three-fifths of the non-Federal share of such expenditures is contributed in cash; and if less than three-fifths of such share is so contributed in any State the expenditures involved (in that State) shall be treated as expenditures described in paragraph (3)(C) rather than as expenditures to which paragraph (4) applies.".

(b) DEFINITION OF DEPENDENT CHILD.—Section 406(a) of such Act is amended by striking out "or (B)" and all that follows in and inserting in lieu thereof the following: "(B) at the option of the State, under the age of 21 and (as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school, college, or university, or regularly attending a course of technical or vocational training designed to fit him for gainful employment, or (C) at the option of the State, under the age of 21 and (as determined by the State in accordance with standards prescribed by the Secretary) a student regularly attending a school in grade twelve or below or regularly attending a course of vocational or technical training, other than a course provided by or through a college or university, designed to fit him for gainful employment;".

(c) 100-HOUR RULE.—Section 407 of such Act is amended by adding at the end thereof the following new subsection:

"(f) The standards prescribed by the Secretary for purposes of determining an individual's unemployment under subsection (a) at the time of his or her application for family support supplements under the plan may include a test which bases such determination upon whether or not the individual has performed a specific number of hours of work within a designated period; but if the individual involved is already receiving family support supplements under the State plan no such test may be applied.".

(d) DEMONSTRATION AUTHORITY.—(1) Section 1115(b)(2)(A) of such Act is amended by striking out "and section 402(a)(19) (relating to the work incentive program)" and inserting in lieu thereof "and section 416 (relating to the national education, training, and work program)".

(2) Section 1115 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) In order to encourage States to develop innovative education and training programs for children receiving family support supplements under State plans approved under section 402(a), any State may establish and conduct one or more demonstration programs, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such programs. Demonstration programs under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and each such program shall be conducted for at least one year but for no longer than 5 years.".

SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.

(a) IN PART A OF TITLE IV.—(1) Section 402(a)(8)(A)(iv) of the Social Security Act is amended by striking out "(but excluding" and all that follows and inserting in lieu thereof a semicolon.

(2) Section 402(a)(9)(A) of such Act is amended by striking out "B, C, or D" and inserting in lieu thereof "B or D".

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking out all of subparagraph (C) that follows "such expenditures" and inserting in lieu thereof "; and"; and

(B) by striking out all that follows subparagraph (C).

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking out "will be certified" and all that follows down through "within 30 days" and inserting in lieu thereof "will participate or apply for participation in the national education, training, and work program under section 416 within 30 days".

(8) Section 407(b)(2)(C)(i) of such Act is amended by striking out ", unless exempt" and all that follows down through "is not registered" and inserting in lieu thereof "is not currently participating in the national education, training, and work program under section 416, unless such parent is exempt under section 416(c)(4), or, if such parent is exempt under such section 416(c)(4) and has not volunteered for such

participation as described in section 416(c)(2), is not registered".

(9) Section 407(c) of such Act is amended by striking out "to certify such parent" and all that follows and inserting in lieu thereof "to participate or apply for participation in the national education, training, and work program under section 416.".

(10) Section 407(d)(1) of such Act is amended by striking out "under section 409" and all that follows and inserting in lieu thereof "under section 416(j);".

(11) Section 407(e) of such Act is repealed.

(12) Section 409 of such Act is repealed.

(13) Section 414 of such Act is repealed.

(b) IN OTHER PROVISIONS.—(1) Section 471(a)(8)(A) of such Act is amended by striking out "A, B, C, or D" and inserting in lieu thereof "A, B, or D".

(2) Section 1108(b) of such Act is amended by striking out "provided under section 402(a)(19)".

(3) Section 1902(a)(10)(A)(i)(I) of such Act is amended by striking out "section 414(g)" and inserting in lieu thereof "section 416(i)(7)".

SEC. 104. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1989; except that if any State theretofore makes the changes in its State plan approved under section

402 of the Social Security Act which are required in order to carry out such amendments, and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the final regulations of the Secretary of Health and Human Services are published under section 416(m) of such Act and before October 1, 1989, such amendments shall become effective with respect to that State as of such first day.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

SEC. 201. PAYMENT OF EXPENSES BY STATES.

(a) IN GENERAL.—(1) Section 402 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g)(1) Each State shall, for each family, either—

"(A) provide day care for each dependent child, and incapacitated individual living in the same home as a dependent child, receiving family support supplements and requiring such care, or

"(B) reimburse the caretaker relative in the family (by adjusting its family support supplements, in advance whenever possible) for the costs of such care incurred in any month, if and to the extent that such care (or reimbursement for the costs thereof) is determined by the State agency to be directly related to an individual's participation in work, education, or training (including participation in the network program under section 416), reasonably necessary for such participation, and cost-effective. Amounts expended under the preceding provisions of this subsection (in providing day care directly, or in making reimbursement for the costs of such care under contracts, certificates, or otherwise), to the extent that such amounts do not exceed $175 per month for any child age 2 or over or $200 per month for any infant under age 2, shall be considered, for purposes of section 403(a)(1), to be amounts expended as aid in the form of family support supplements; except that no such amounts expended shall be so considered unless the services involved meet applicable standards of State and local law.

"(2) In the case of an individual participating in the network program under section 416 (including participation in the form of job search under subsection (k) thereof), the State (in addition to providing day care or reimbursing the costs thereof as provided in paragraph (1)) shall reimburse the participant (by adjusting the family support supplements, in advance whenever possible) for transportation and other work-related costs incurred in any month, up to the dollar amount then in effect (for purposes of disregarding earned income) under section 402(a)(8)(A)(ii).

"(3) The value of any day care provided (or any amount received as reimbursement for day care costs incurred) under paragraph (1)—

"(A) shall not be treated as income of any person for purposes of any other Federal or federally-supported program which bases eligibility for or the amount of benefits upon need, and

"(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.".

(b) CONTINUATION AFTER ELIGIBILITY FOR FAMILY SUPPORT SUPPLEMENTS CEASES.—Section 402(g)(1) of such Act (as added by subsection (a) of this section) is amended by inserting after the first sentence the following new sentence: "The caretaker relative of any dependent child or incapacitated individual whose family ceases to be eligible for family support supplements under the State plan as of the close of any month (if at that time the family has earnings or is receiving child support) shall continue to be entitled to reimbursement for the costs of any day care (subject to the applicable dollar limitations specified in the succeeding sentence) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of 12 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability).".

SEC. 202. DEVELOPMENT OF NEW CHILD CARE RESOURCES.

The State agency administering the network program under section 416 of the Social Security Act shall regularly assess the availability and reliability of the child care services which are available to participants in such program, and shall take such action as may be necessary or appropriate to develop new child care resources as the need may indicate.

SEC. 203. PAYMENT OF OTHER EXPENSES.

Section 402 of the Social Security Act (as amended by section 201 of this Act) is further amended by adding at the end thereof the following new subsection:

"(h) In addition to any amounts payable under subsection (g), any State may pay up to $100 a month to participants in the network program under section 416 to cover work expenses or other expenses which the State agency determines to be appropriate.".

SEC. 204. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1987; except that section 402(g)(2) of the Social Security Act (as added by section 201 of this Act) shall become effective on the date on which the amendment made by section 101(b) of this Act becomes effective.

TITLE III—REAL WORK INCENTIVES

SEC. 301. CHANGES IN EARNED INCOME DISREGARDS.

(a) In General.—Section 402(a)(8) of the Social Security Act is amended to read as follows:

"(8)(A) provide (subject to subsection (g)) that, with respect to any month, in making the determination under paragraph (7), the State agency—

"(i) shall disregard all of the earned income of each dependent child applying for or receiving family support supplements who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(ii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $100 of the total of such earned income for such month;

"(iii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to 25 percent of the total of such earned income not disregarded under any other clause of this subparagraph;

"(iv) shall disregard the first $50 of any child support payments received in such month with respect to the dependent child or children in any family applying for or receiving family support supplements (including support payments collected and paid to the family under section 457(b)); and

"(v) shall disregard any refund of Federal income taxes made to a family applying for or receiving family support supplements by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit) and any payment made to such a family by an employer under section 3507 of such Act (relating to advance payment of earned income credit); and

"(B) provide that (with respect to any month) the State agency shall not disregard, under clause (ii) or (iii) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

"(i) terminated his employment or reduced his earned income without good cause within such period (of not less than thirty days) preceding such month as may be prescribed by the Secretary;

"(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

"(iii) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month;".

(b) INCREASES IN AMOUNTS TO BE DISREGARDED.—Section 402 of such Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(i)(1) Any State may at its option increase the dollar amount under clause (ii) or (iv) of subsection (a)(8)(A) or the percentage figure under clause (iii) of such subsection (or increase both of such dollar amounts, or either or both of such dollar amounts as well as such percentage figure), effective on the first day of any calendar quarter beginning on or after the date of the enactment of this subsection, so long as such increase (or the combination of such increases) does not have the effect of permitting a family to be eligible for supplements under the plan for any month in violation of subsection (a)(18).

"(2) Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of a determination made under section 215(i), the dollar amount under subsection (a)(8)(A)(ii), as specified therein or as previously increased under paragraph (1) of this subsection or this paragraph, shall be increased by the same percentage (and rounded, when not a multiple of $1, to the next lower such multiple), effective on the first day of the following month; but no increase under this paragraph shall be effective to the extent that it would permit a family to be eligible for supplements under the plan for any month in violation of subsection (a)(18).".

(c) CONFORMING AMENDMENTS.—(1) Section 402(a)(18) of such Act is amended by striking out "other than paragraph (8)(A)(v),".

(2) Section 402(a)(37) of such Act is repealed.

SEC. 302. GOVERNMENTAL PAYMENTS TO BE DISREGARDED FOR PURPOSES OF SUPPORT AND MAINTENANCE OF HOUSEHOLD TESTS.

Section 2 of the Internal Revenue Code of 1986 (relating to definitions and special rules) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) GOVERNMENTAL PAYMENTS DISREGARDED IN DETERMINING SUPPORT AND MAINTENANCE OF HOUSEHOLD.—For purposes of this title, whenever it is necessary—

"(1) to determine the extent to which the support of an individual is provided by that individual, by a taxpayer who has the same principal place of abode as the individual (including determinations under section 152), or by the parents of the individual for purposes of section 152(e)(1)(A), or

"(2) to determine whether a taxpayer is considered as maintaining a household (including determinations under subsections (a), (b), and (c) of this section and under sections 21 and 7703(b)),

any benefit provided under any Federal, State, or local governmental assistance program used for the support of the individual or for maintenance of the household shall not be taken into account.".

SEC. 303. EFFECTIVE DATE.

The amendments made by section 301 shall be effective on and after October 1, 1987. The amendments made by section 302 shall apply with respect to taxable years ending on or after October 1, 1987.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

SEC. 401. MEDICAID ELIGIBILITY.

Section 402(a) of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by inserting after paragraph (36) the following new paragraph:

"(37) provide that if any family ceases to receive family support supplements under the State plan as of the close of any month (and at that time has earnings or is receiving child support), such family shall be treated for purposes of title XIX as continuing to receive such supplements for a period of 12 months after the close of such month; except that (A) this paragraph shall not apply if the family's eligibility for such supplements was terminated because of fraud or the imposition of a sanction, (B) the State may at its option extend such 12-month period for up to an additional 12 months, and (C) if at any time during such 12-month (or extended) period—

"(A) the family ceases to include a child who is (or would if needy be) a dependent child, or

"(B) any member of the family terminates his or her employment or reduces his or her earned income without good cause or refuses without good cause to accept employment, or fails to cooperate with the State in establishing paternity or obtaining support or other payments as required by paragraph (26)(B),

such period shall automatically end (as of the close of the last month in which the family included such a child or at the close of the month in which such termination, refusal, or failure occurred);".

SEC. 402. EFFECTIVE DATE.

The amendment made by section 401 shall apply with respect to families that cease to be eligible for family support supplements on or after October 1, 1987.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

SEC. 501. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

(a) AUTOMATIC UPDATING OF GUIDELINES.—The first sentence of section 467(a) of the Social Security Act is amended by inserting before the period at the end thereof the following: ", along with procedures for the periodic review and automatic updating of all child support orders so as to ensure that (taking into account any changes which may have occurred in the absent parent's financial situation and in other circumstances) they remain in full compliance with such guidelines".

(b) GUIDELINES TO BE MANDATORY.—Section 467(b) of such Act is amended by striking out "but need not be binding upon such judges or other officials" and inserting in lieu thereof "and shall be uniformly applied in determining (and updating) awards under all child support orders issued or modified within such State".

(c) STATE LAW REQUIREMENTS.—Section 466(a) of such Act is amended by inserting immediately after paragraph (9) the following new paragraph:

"(10)(A) Procedures requiring the uniform application of the guidelines established under section 467, and the periodic updating of child support awards in accordance with that section (subject to subparagraph (B)), in full compliance with all procedural due process requirements of the State.

"(B) The State must send advance notice to the absent parent regarding the updating of any child support award, detailing the steps the absent parent should take if he or she desires to contest the amount of the updated award on the grounds that it is not proper. If the absent parent contests the award on those grounds, the appropriate official of the State shall reconsider the amount of the award and shall (within no more than 45 days after the provision of such advance notice) inform the absent parent of the final result.".

SEC. 502. ESTABLISHMENT OF PATERNITY.

(a) IN GENERAL.—(1) Section 466(a)(5) of the Social Security Act is amended to read as follows:

"(5) Procedures which require the establishment of the paternity of every child within the State, at birth to the extent possible but in any event prior to such child's eighteenth birthday.".

(2) Section 466(a)(5) of such Act, as enacted in section 3(b) of the Child Support Enforcement Amendments of 1984 and as amended by paragraph (1) of this subsection, applies

with respect to any child who had not attained age 18 on the date of the enactment of such Amendments.

(b) COSTS OF PATERNITY DETERMINATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.—Section 458(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(3) by striking out the last sentence; and

(4) by adding at the end thereof the following new paragraph:

"(2) In computing incentive payments under this section, the costs of making paternity determinations (to the extent that the State can affirmatively demonstrate that they are actually costs of paternity determination and not costs of child support enforcement) shall be excluded from the State's combined FSP/non-FSP administrative costs.".

SEC. 503. DEMONSTRATION PROJECTS TO ADDRESS VISITATION PROBLEMS.

Section 1115 of the Social Security Act (as amended by section 102(d) of this Act) is further amended by adding at the end thereof the following new subsection:

"(e)(1) In order to encourage States to identify the problems arising in connection with visitation by absent parents, to determine the magnitude of such problems, and to test possible solutions thereto (including but not limited to the creation of special staffs of mediators to deal with disputes involving court-ordered child access privileges), any State may establish and conduct one or more demonstration projects in accordance with such terms, conditions, and requirements as the Secretary shall prescribe. No such project shall be conducted for a period of more than 3 years.

"(2) The Secretary may make grants to any State, in amounts not exceeding $5,000,000 per year, to assist in financing the project or projects established by such State under this subsection.".

SEC. 504. DISREGARDING OF CHILD SUPPORT PAYMENTS FOR FSP PURPOSES.

Clause (iv) of section 402(a)(8)(A) of the Social Security Act (as amended by section 301(a) of this Act) is further amended—

(1) by striking out "the first $50" and inserting in lieu thereof "the first $100"; and

(2) by striking out "of any child support payments received in such month" and inserting in lieu thereof the following: "of any child support payment received in such month which was due for that month, and the first $100 of any child support payment received in such month which was due for a prior month if such

payment was timely made when due by the absent parent,".

SEC. 505. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

Section 452 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g) The standards required by subsection (a)(1) shall establish time limits governing the period or periods within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish child support awards. The Secretary shall take such actions as may be necessary to ensure that all States observe and comply with the time limits so established.".

SEC. 506. AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY.

(a) IN GENERAL.—Section 454(16) of the Social Security Act is amended—

(1) by striking out ", at the option of the State,";

(2) by striking out "(I)" in clause (A)(i) and inserting in lieu thereof "(I) the extent of compliance with all child support orders issued or modified in the State, (II)"; and

(3) by redesignating subdivisions (II), (III), and (IV) in such clause as subdivisions (III), (IV), and (V), respectively.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective 2 years after the date of the enactment of this Act.

SEC. 507. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(c)(2) of the Social Security Act (as added by section 502(b) of this Act) is amended by inserting immediately before "shall be excluded" the following: ", and any amounts expended by the State in carrying out a special project assisted under section 455(e),".

SEC. 508. EFFECTIVE DATE.

Except to the extent otherwise specifically indicated, the amendments made by this title shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

TITLE VI—PRO-FAMILY WELFARE POLICIES

SEC. 601. REQUIREMENT THAT AID BE PROVIDED WITH RESPECT TO DEPENDENT CHILDREN IN TWO-PARENT FAMILIES.

(a) IN GENERAL.—Section 402(a) of the Social Security Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (38);

(2) by striking out the period at the end of paragraph (39) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (39) the following new paragraph:

"(40) provide that payments of family support supplements will be made under the plan with respect to dependent children of unemployed parents, in accordance with section 407.".

(b) CONFORMING AMENDMENTS.—(1) Section 407(b) of such Act is amended by striking out "(b) The provisions" and all that follows down through "(1) requires" and inserting in lieu thereof the following:

"(b) In providing for the payment of family support supplements under the State's plan approved under section 402 in the case of families which include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(40), the State's plan—

"(1) shall require".

(2) Section 407(b)(2) of such Act is amended by striking out "provides—" and inserting in lieu thereof "shall provide—".

(c) QUARTERS OF WORK BASED ON EDUCATION OR TRAINING.—(1) Section 407(d)(1) of such Act (as amended by section 103(a)(10) of this Act) is further amended—

(A) by inserting "(A)" after "means a calendar quarter"; and

(B) by inserting before the semicolon at the end thereof the following: ", or (B) if the State plan so provides (but subject to the last sentence of this subsection), in which such individual (i) was in regular full-time attendance as a student at an elementary or secondary school, (ii) was in regular full-time attendance in a course of vocation or technical training designed to fit him or her for gainful employment, or (iii) participated in an education or training program established under the Job Training Partnership Act".

(2) Section 407(d) of such Act is further amended by adding at the end thereof (after and below paragraph (4)) the following new sentence:

"No individual shall be credited during his or her lifetime (for purposes of subsection (b)(1)(C)(i)) with more than 4 'quarters of work' based on attendance in a course or courses of vocational or technical training as described in paragraph (1)(B)(ii) of this subsection.".

(3) Section 407(b)(1)(C)(i) of such Act is amended by inserting after "6 or more quarters of work (as defined in subsection (d)(1))" the following: ", including 2 or more quarters of work as defined in subsection (d)(1)(A),".

(d) Effective Date.—The amendments made by this section shall become effective January 1, 1989.

SEC. 602. SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS.

(a) Case Management Services; Living Arrangements and Payments of Aid.—(1) Section 402(a) of the Social Security Act is amended by inserting after paragraph (28) the following new paragraph:

"(29) provide for the assignment of a case manager to each family receiving family support supplements under the plan which is headed by a minor parent, as described in section 417, and include the other provisions and conditions required by that section;".

(2) Part A of title IV of such Act (as amended by section 101(b) of this Act) is further amended by adding at the end thereof the following new section:

"SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS

"SEC. 417. (a)(1) The State agency shall assign an individual case manager to each family receiving family support supplements under the plan which is headed by a minor parent. The case manager so assigned shall be responsible for assuring that the family receives and effectively uses all of the aid and services which are available to it under the plan and under related laws and programs, and for supervising and monitoring the provision and use of such aid and services. Each case manager assigned under this subsection shall maintain a caseload sufficiently small to assure the provision of intensive services to and close supervision of the families to which he or she is assigned.

"(2) If the family is participating in the program under section 416, only one case manager shall be assigned to perform all case management functions for the family.

"(b)(1)(A) Each family headed by an unmarried minor parent shall be required to live with a parent, legal guardian, or other adult relative of such minor parent or in a foster home, maternity home, or other supportive living arrangement, except to the extent that the State agency determines that it is impossible or inappropriate to do so (as more particularly described in subparagraph (B)). The case manager assigned to the family may in any event require that payments of family support supplements with respect to the family be made when appropriate to a third party in the manner described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof); and if the minor parent is not living under adult supervision, and an appropriate relative or other representative payee cannot be found, the case manager may serve as representative payee.

"(B) The State agency may determine that it is impossible or inappropriate for a minor parent to live with a parent or legal guardian if—

"(i) the minor parent has no living parent or legal guardian whose whereabouts are known;

"(ii) the health or safety of the minor parent or the child would be jeopardized if they lived with the parent or guardian, or the living conditions of the parent or guardian are overcrowded;

"(iii) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or

"(iv) the minor parent has lived apart from the parent or guardian for at least a year prior to the birth of the child or prior to making application for supplements under the plan.

"(2) In any case where the parent with whom the minor parent is living is also eligible for family support supplements (by reason of the presence in the household of one or more other children of such parent), the State must provide (notwithstanding paragraph (38)) that the minor parent and the minor parent's child or children constitute a family unit separate from that of the minor parent's parent and such other children.

"(c) The State may at its option (1) require school attendance by the minor parent on a part-time basis as a condition of such parent's eligibility for aid under the State plan, or (2) require that the minor parent participate in training in parenting and family living skills, including nutrition and health education, as a condition of such eligibility (without regard to the age of the child or children); but in either case only if and to the extent that day care for the child or children (meeting applicable standards of State and local law) is guaranteed (and is guaranteed within the applicable dollar limitations set forth in section 402(g) if the child or any of the children is below 3 years of age).

"(d) Amounts expended by a State under this section in providing case management services with respect to families headed by minor parents shall be considered, for purposes of section 403(a)(3)(C), to be expenditures for the proper and efficient administration of the State plan; except that in applying such section 403(a)(3)(C) with respect to such amounts the term 'one-half' shall be revised to read '75 percent'.".

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(b) REPEAL OF PROVISION ATTRIBUTING GRANDPARENT'S INCOME TO DEPENDENT CHILD IN MINOR PARENT FAMILY.—Section 402(a) of such Act is further amended by striking out paragraph (39).

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1987.

TITLE VII—BENEFIT IMPROVEMENTS

SEC. 701. PERIODIC RE-EVALUATIONS OF NEED AND PAYMENT STANDARDS.

Section 402 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(j) Each State shall annually re-evaluate its need standard and its payment standard under the family support program under this part, giving particular attention to whether or not the amount which it has assumed to be necessary for shelter, in setting such standards, is adequate in the light of current housing costs in the State and in different regions within the State. The result of each such re-evaluation shall be reported by the State to the Secretary, to the Congress, and to the public.".

SEC. 702. ENCOURAGEMENT OF STATES TO INCREASE FSP BENEFIT LEVELS.

(a) IN GENERAL.—Section 403 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(k)(1) In the case of any State which, after September 30, 1987, increases the level of the family support supplements which are payable under its approved State plan, the percentage of the total amount expended during any quarter as family support supplements under such plan which is payable to the State as the Federal share of such expenditures under subsection (a)(1) or (2) (with or without the application of section 1118), to the extent that the total amount so expended is attributable to such increase, shall be determined as follows:

"(A) The percentage of the State share of the expenditures attributable to such increase, as it would be determined by the application of subsection (a) (1) or (2) without regard to this subsection, shall be reduced by 30 percent, and

"(B) the Federal share of the expenditures attributable to such increase shall be 100 percent minus the reduced State share as determined under subparagraph (A);

and the resulting net Federal share of the total amounts expended during such quarter as family support supplements under the State plan (including both the expenditures to which this paragraph applies and the expenditures to which it does not) shall be determined as provided in paragraph (2).

"(2)(A) Whenever a State (after September 30, 1987) increases the level of the family support supplements which is payable under its approved State plan, the Secretary shall determine with respect to each particular size of family separately specified under the plan (assuming for this purpose that no family has any other income)—

"(i) the level of such supplements (expressed as a monthly dollar amount) as of September 30, 1987;

"(ii) the level of such supplements (expressed as a monthly dollar amount) immediately after such increase becomes effective;

"(iii) the dollar amount of the increase (if any) in such level; and

"(iv) the percentage of the State's total FSP caseload (i.e., of the total number of families receiving family support supplements under the plan) which is represented by families of that particular size.

"(B) The Federal share of the expenditures which are made as family support supplements under the State plan with respect to families of any particular size during any quarter beginning with the first quarter in which the increase is effective, and which (if any) are attributable to such increase, shall be a percentage equal to—

"(i) the sum of (I) the level determined under subparagraph (A)(i) for such families multiplied by the net Federal percentage determined under subsection (a) (1) or (2) or section 1118 without regard to this subsection, and (II) the amount of the increase (if any) determined under subparagraph (A)(iii) for such families multiplied by the percentage of the Federal share of the expenditures attributable to such increase as determined under paragraph (1)(B),

divided by—

"(ii) the level determined under subparagraph (A)(ii),

with the resulting quotient multiplied by—

"(iii) the percentage of the State's total FSP caseload which is represented by families of that particular size as determined under subparagraph (A)(iv).

"(C) The net Federal share of the total amounts expended during the quarter involved as family support supplements under the State's approved plan for purposes of subsection (a) (1) or (2) shall be a percentage equal to the sum of the percentages determined for all family sizes by the application of clauses (i), (ii), and (iii) of subparagraph (B) to families of each such size separately; and the percentage of such net

Federal share as so determined shall be in lieu of the percentage which would otherwise be applied under subsection (a) (1) or (2) or under section 1118.".

(b) CONFORMING AMENDMENTS.—(1) Section 403(a) of such Act is amended by striking out "an amount equal to" in paragraphs (1) and (2) and inserting in lieu thereof in each instance "an amount (subject to subsection (k)) equal to".

(2) The first sentence of section 1118 of such Act is amended by inserting "(subject to section 403(k))" after "be determined".

SEC. 703. MANDATORY STATE FSP BENEFIT LEVEL.

(a) STATE PLAN REQUIREMENT.—Section 402(a) of the Social Security Act (as amended by sections 601(a) and 602(b) of this Act) is further amended by inserting after paragraph (38) the following new paragraph:

"(39) provide that, from and after the first day of the first calendar quarter beginning 5 years or more after the date of the enactment of the Family Welfare Reform Act of 1987, the State will make monthly payments in the form of family support supplements, to each family with dependent children, in amounts at or above the State benefit level determined under subsection (k); and".

(b) DETERMINATION OF STATE BENEFIT LEVEL.—Section 402 of such Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(k)(1)(A) The State benefit level for a family of 4 (with no other income) in any State, for any month in a calendar year, shall be an amount equal to at least 15 percent of the State's median monthly family income for that year.

"(B) For purposes of subparagraph (A), a State's 'median monthly family income' for months in any calendar year is the median income in that year for a family of 4 in that State (calculated on a monthly basis), as shown in or determined under the most recent decennial census and adjusted by the Secretary to reflect any increases in such median income which may have occurred between the date of such census and the beginning of that year.

"(2) The State benefit level for a family of more or less than 4 (with no other income) in any State, for any month in a calendar year, shall be an amount which bears the same ratio to the amount determined for that month under paragraph (1) (for a family of 4) as the cost of the thrifty food plan under section 3(o) of the Food Stamp Act of 1977 for an average family of the size involved (in that month) bears to the cost of such plan for an average family of 4.

"(3) The amount of the family support supplement actually payable to any family described in paragraph (1) or (2) shall be equal to the applicable State benefit level reduced by the amount of any income of the family not disregarded in accordance with section 402(a)(8).

"(4) The determination of each State's minimum benefit levels (and of each State's median monthly family income), for any calendar year, shall be made and published by the Secretary prior to the beginning of such year in accordance with regulations prescribed by the Secretary.".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on the first day of the first calendar quarter which begins 5 years or more after the date of the enactment of this Act.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. COORDINATION OF FAMILY SUPPORT PROGRAM AND FOOD STAMP POLICIES.

(a) APPOINTMENT OF ADVISORY GROUP.—As soon as possible after the enactment of this Act, the Secretary of Health and Human Services and the Secretary of Agriculture, acting jointly, shall appoint and convene an advisory group, consisting of representatives of their respective Departments, State Governors, State and local welfare administrators, Members of Congress, welfare advocates, and other appropriate persons, to study and consider the policies and definitions being implemented or used (under law or administrative practice) in the administration of the Family Support

Program under part A of title IV of the Social Security Act and those being so implemented or used in the administration of the food stamp program under the Food Stamp Act of 1977.

(b) PURPOSE.—It shall be the purpose of the advisory group to identify the policies and definitions being implemented or used under each such program which are inconsistent or in conflict with those being implemented or used under the other, and to make recommendations for developing common policies and definitions for use under both programs and thereby eliminating such inconsistency or conflict to the maximum extent possible.

(c) REPORT.—The advisory group shall submit to the President and the Congress within one year after the date of the enactment of this Act a full and complete report on its study under this section, including its recommendations for such legislative, administrative, and other actions as may be considered appropriate.

SEC. 802. UNIFORM REPORTING REQUIREMENTS.

Section 403 of the Social Security Act is amended by inserting immediately after subsection (d) the following new subsection:

"(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(g), 402(h), and 417 are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.".

SEC. 803. TECHNICAL AND CONFORMING AMENDMENTS RELATING TO REPLACEMENT OF AFDC PROGRAM BY FAMILY SUPPORT PROGRAM.

(a) AMENDMENTS TO PART A OF TITLE IV.—(1) The heading of title IV of the Social Security Act is amended by striking out "**AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN**" and inserting in lieu thereof "**AID AND SERVICES UNDER THE FAMILY SUPPORT PROGRAM**".

(2) The heading of part A of title IV of such Act is amended by striking out "AID TO FAMILIES WITH DEPEND-

ENT CHILDREN" and inserting in lieu thereof "FAMILY SUPPORT PROGRAM".

(3) Section 401 of such Act is amended by striking out "State plans for aid and services to needy families with children" and inserting in lieu thereof "State family support plans".

(4) The heading of section 402 of such Act is amended by striking out "STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN" and inserting in lieu thereof "STATE FAMILY SUPPORT PLANS".

(5) Section 406(b) of such Act is amended by striking out "aid to families with dependent children" where it first appears and inserting in lieu thereof "family support supplements".

(6) The following provisions of part A of title IV of such Act are each amended by striking out "aid to families with dependent children" wherever it appears and inserting in lieu thereof "aid in the form of family support supplements": Paragraphs (4), (7), (10), (11), (14), (17), (19), (21), and (37) of section 402(a); subsections (a), (b) (the second place it appears), and (f) of section 403; section 405; subsections (b), (f), (g), and (h) of section 406; and subsections (b) and (c) of section 407.

(7) The following provisions of part A of title IV of such Act are each amended by striking out "plan for aid and serv-

ices to needy families with children" wherever it appears and inserting in lieu thereof "family support plan": Section 402(a) (in the matter preceding paragraph (1)); paragraph (30) of section 402(a); section 403(a) (in the matter preceding paragraph (1)); section 404(a); section 410(a); and section 412.

(b) AMENDMENTS TO OTHER PROVISIONS OF THE SOCIAL SECURITY ACT.—(1) The following provisions of the Social Security Act are amended by striking out "aid to families with dependent children" wherever it appears and inserting in lieu thereof "aid in the form of family support supplements": Section 452(a)(10); section 454(4); section 457(d)(3); section 472(h); section 473(b); and section 1115(b).

(2) Section 454(16) of such Act is amended by striking out "aid to families with dependent children program" and inserting in lieu thereof "Family Support Program".

(3) Subsections (b) and (c) of section 458 of such Act are each amended by striking out "AFDC" and "non-AFDC" wherever those terms appear and inserting in lieu thereof "FSP" and "non-FSP", respectively.

(c) OTHER REFERENCES IN GENERAL.—Any reference to aid to families with dependent children in any provision of law other than those specified in the preceding provisions of this section shall be deemed to be a reference to family support supplements, or to aid in the form of family support supplements, consistent with the amendments made by the preceding provisions of this Act.

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Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

For the past 18 months, we have talked about the need for welfare reform. We have discussed how to do it, and we have reviewed the proposals of many groups, but now it is time to take action.

On Thursday of this week, in room 1100 of the Longworth Building, the subcommittee will hold its first welfare reform markup session. Today, to prepare us for the markup, we will take testimony on H.R. 1720, the Family Welfare Reform Act, which I introduced on March 19 with other members of this subcommittee.

Our witnesses include the Honorable Jim Corman, a former Member of Congress, who himself presided over this subcommittee and its welfare reform debate in the late 1970's. We are very delighted to have him with us today.

We will also hear from the National Conference of State Legislatures, and a panel of State welfare directors.

This afternoon's session also will be devoted to a careful review of the child support program, and its relationship to welfare reform.

We will continue our hearings on Wednesday morning at 9:30 a.m. Our witnesses include three of our colleagues with a special interest in welfare reform. They will be Representative George Miller, chairman of the Select Committee on Children, Youth and Families; Representative Leon Panetta who chairs the Agriculture Subcommittee with jurisdiction over food stamps; and Representative Henry Waxman who chairs the Medicaid panel on the Energy and Commerce Committee.

I am especially pleased that our OMB Director, Dr. Miller, will also be here on Wednesday to discuss H.R. 1720 with us.

H.R. 1720 is a good bill, and during the next 2 weeks we will be working together to make it an even better bill. These hearings can make an important contribution to the process, and I look forward to hearing from those who will be testifying before the committee today, and later this week. I will be working very closely with my colleagues on this subcommittee to prepare for a markup session on Thursday of this week and hope that a welfare reform package will be on the House floor by the latter part of May.

At this time I am delighted to recognize and call to the witness table one of our former Members, a very distinguished member of the Ways and Means Committee, and one who chaired this subcommittee in the 1970's, and headed the panel to bring about welfare reform in the latter part of 1970.

Jim, we are very delighted to have you, once again, before the subcommittee.

STATEMENT OF HON. JAMES C. CORMAN, WASHINGTON, DC, FORMER MEMBER OF CONGRESS

Mr. **Corman**. Thank you, Mr. Chairman, and members of the committee.

Chairman **Ford**. Jim, pardon me just 1 minute. I would like to recognize Mr. Downey and Mr. Matsui, with you, at this time.

Mr. **Downey**. Mr. Chairman, I have nothing to say. I am anxious to hear what our former colleague has to say. I served on the

Public Assistance and Unemployment Compensation Subcommittee before I was sentenced to the Budget Committee for 6 years, and I am back. I am only sorry that Mr. Corman is not with us.

Chairman **Ford**. Mr. Matsui.

Mr. **Matsui**. Let me just make one very brief comment, Mr. Chairman. Before we begin these hearings, I think we would really be remiss if we did not commend you and your staff for the very fine job in putting together what I believe to be a truly remarkable welfare reform package.

You have spent the past 24 months, putting together this package through hearings, and through consultations with various groups. I have to say that you have included in the package the most important points out of each one of the proposals that have been presented to us. So, I want to commend you for your efforts.

Chairman **Ford**. Thank you very much, Mr. Matsui.

At this time, the Chair recognizes Mr. Corman.

Mr. **Corman**. Mr. Chairman, and members of the committee, I am very pleased to be here.

There is only one place that I would rather be sitting this morning, than in this witness chair, and that is in the chair between Mr. Downey and Mr. Matsui, but that was not to be.

If this bill, H.R. 1720, were the law today, one-sixth of the children in this Nation would be much better off than they are right now, and they are the sixth of the children in this Nation that are the most deprived, and the ones with the least support.

If I may, I would ask that my written statement be made a part of the record.

Chairman **Ford**. Mr. Corman, your written statement will be made a part of the record, and I might state, for all witnesses who will be testifying today, that the full text will be made a part of the record, and the witnesses may summarize their written testimony.

Mr. **Corman**. Mr. Chairman, one would have to admit that H.R. 1720 does not address all of the problems of all of the poor in this country, but certainly, it addresses those which are most important, most important to human beings, and most important to this Nation as a whole, because it addresses the needs of our children. I would note that when this bill leaves this subcommittee it will probably be the high-water mark for welfare reform, because the members on this committee are the most knowledgeable, the most concerned, and I would hope that compromises at this level would be very few because legislation is a long and tortuous route before it becomes the law.

It seems to me clear, that anything that is done will require more money, because if you look at the living standards provided for the poor, particularly the poor families with children in this country, there just is not any place to find any new money there to do very much. I would hope that would not deter the subcommittee in doing those things which must be done.

The welfare program is somewhat like the Tax Code—simplicity and fairness are adversaries. And we always, of course, start out to make things simple, and make them extremely complicated by making them more fair.

When you are faced with that problem, I hope that you will opt for simplicity over fairness. Not to indicate at all, that we ought to have unfairness in the system, but, rather, that the regulations that plague administrators get to be so burdensome, that sometimes, they border on being unadministrable.

And so if there is an opportunity for simplicity, I would hope that you would opt for it. As to the mandatory work provisions, and I think it is clear that, in this day and age, there is going to be movement in that direction, if you are going to mandate that the mother of very small children be required to work some hours of the day, give particular attention to what happens to the children during that time. That in itself is sometimes expensive, but remember, this whole program is for the welfare of children.

I hope there will be some mechanism to determine, in each instance of mandatory work, what needs to be done to protect the child itself.

Obviously there are going to be instances where there will have to be wage supplements. A great many, full-time jobs in this country, do not provide a minimum living standard acceptable for families with children.

But as you move into that area, it seems to me that you must guard against the welfare system itself becoming a supplement for low-wage employers. If you anticipate that for any prolonged period of time.

Low wages will be subsidized in the name of welfare for the employee, they may become welfare for the employer.

I used to have some skepticism about how much money we would ever find when we started enforcing child support from fathers who abandon their families, and I must say that there has been much greater success in that area than I had anticipated. You are to be commended for the emphasis you place on that in the bill.

I know there is going to be an effort to establish paternity, and certainly, everything reasonable that can be done should be done. Sometimes that is a very difficult fact to establish, and if you are going to require States to do some things in that respect, then you need to guard against being unreasonable about it.

There are two things in this bill that we have worked for so long, and, up to now with no success. First, is the payment of benefits for intact families. I realize that many States already do that, but I can think of nothing more cruel than to tell a child that, we cannot give you money to buy the food you need to keep you from being hungry so long as you have a father and a mother. That is cruel. We ought not to do that.

I commend this committee for the great effort it has made in that direction, and I wish you success this time.

The other thing that is provided here, that seems to me extremely important, is some kind of reasonable national minimum benefit, because it has never seemed right to me, that the degree of hunger a child must suffer is dependent on where its parents live. I commend you for the unique approach you have taken in this. It seems to me it is fair to the States. It gives them the kind of Federal support they need in a transition period, but it must be done.

Mr. Chairman, I would be glad to respond to any questions as best I can.

[The statement of Mr. Corman follows:]

Statement of James C. Corman
Before The
Subcommittee on Public Assistance & Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives
March 30, 1987

Mr. Chairman, members of the Subcommittee, I am James C. Corman, an attorney in private practice and a registered lobbyist with clients very supportive of Federal efforts to reform our nation's welfare system. However, I am not appearing in that capacity, I am here today as a private citizen to urge your favorable consideration of H.R. 1720, the Family Welfare Reform Act of 1987.

As you know, Chairman Ford recently creatd an ad hoc advisory panel of private citizens on the issue of welfare reform. As a member of that panel, I have had the opportunity to review H.R. 1720 and the considerations which have guided it's author and cosponsors. I believe this legislation embodies the broad consensus for change in welfare which has emerged among liberals and conservatives, Democrats and Republicans, and Federal and State Officials.

Before addressing specific welfare reform issues, let me confess a feeling of "deja vu" sitting at this witness table. As many of you know, I am a former member of the House and I had the great privilege to serve on the Committee on Ways and Means. For several years I had the honor of chairing the Subcommittee on Public Assistance and Unemployment Compensation. I use the term "honor" because, given its jurisdiction and responsibility, I believe this Subcommittee to be one of the most important in the Congress. The decisions of the Subcommittee and the policies which it adopts have a tremendous impact on the lives of many millions of Americans -- whether they are elderly or infirm SSI recipients, workers experiencing a spell of joblessness, those in need of social services or needy children and their families.

Mr. Chairman, in 1977 President Carter announced a major welfare reform proposal, the Program for Better Jobs and Income (PBJI) and I chaired a special Subcommittee Committee of the Ways and Means, Education and Labor, and Agriculture Committees which considered and generally approved the PBJI. The plan consolidated and simplified basic income maintenance programs, included a large employment component, established a national uniform minimum benefit, provided benefits for poor single individuals and childless couples, and provided services to participants. Unfortunately, the Congress took no legislative action on the proposal. Subsequently, in 1979 the Committee on Ways and Means approved a scaled-back version of the 1977 proposal which was adopted by the House but not by the Senate.

Since 1979, most welfare reform efforts have been piecemeal and modest and subject to cross-currents in public policy thinking. To be sure, improvements have been enacted to our child welfare, foster care, and child support enforcement programs. The earned income tax credit (EITC) has been improved and in general, the tax burden of the working poor has been eased. Yet despite improvements, many modifications to our main welfare program, Aid to Families with Dependent Children (AFDC), have weakened its protections under the banner of budget restraint.

As I reflect on the past experience perhaps crucial to our failure to address comprehensive welfare reform has been the lack of agreement on the "welfare record", the lack of consensus on future goals, and the absence of broad political support. Some thought that AFDC was being abused by recipients who ought to be working and were deliberately avoiding work or that most AFDC recipients were cheaters like proverbial "welfare queens".

Conversely, there was concern AFDC contained economic discentives to work and that the lack of adequate child care forced those who did work to put their children at risk. Others argued AFDC was being underfunded and that benefit levels had deteriorated significantly and would likely continue to decline without action. Many argued welfare fostered dependency and focused on the long-term likelihood of intergenerational poverty.

Despite the many problems of the present welfare system, it would be a gross oversight if we failed to recognize that this nation's welfare efforts over the past half century have saved many millions of Americans from hunger and hopelessness.

Mr. Chairman, the Subcommittee has done an outstanding job in creating a data base and in raising the level of understanding about our present welfare system. Through your hearings, your studies on poverty, and through other educational efforts, the Congress is better informed about welfare than ever before -- its myths and realities, and it's strengths and weaknesses. Through the Subcommittee's efforts, the welfare reform debate has been reinvigorated and refocused. The President has endorsed welfare reform as has the leadership of both parties in the House and Senate. Polling data show that a majority of Americans now believe we should do more to help the poor. Today the issue is not whether the system should be reformed, how best to do it.

H.R. 1720, The Family Welfare Reform Act of 1987, broadens the debate beyond the welfare system to encompass child support, employment, training, child care, wage supplementation, benefits level and health care. Second, the Act recognizes that the needy are not a monolithic group. The bill contains multiple strategies -- the pregnant teenager, the teen mother, the head of an intact family without employment (or who's wages leave the family in poverty) all have different problems and different solutions are appropriate.

While providing an array of services and support, the bill makes clear that those in poverty have obligations to their families and to society. Also the bill recognizes the role of states, encourages state creativity yet is realistic about the pace of change. Hence phased-in, incremental changes are built into its design.

Reduced to its fundamentals, H.R. 1720, contains an impressive mix of welfare & non-welfare approaches that will

-- substantially increase opportunities to improve skills through training and education.

-- replace financial disincentives with financial incentives to work.

-- raise the income of poor families.

-- provide child care services in the quality and quantity needed.

-- encourage public and private partnership.

-- provide states with great flexibility and increased resources (both financial and non-financial).

-- continue improvements in the child support enforcement system, and

-- establish pro-family welfare policies.

Mr. Chairman, in short H.R. 1720 represents an investment for the future of our children, their families and our nation. To do the job additional resources will no doubt be needed. But in the first instance, cost should not deter the Subcommittee from moving forward.

The issues before you are among the most critical of our nation's unmet needs. We have moral responsibilities and it is in our social self-interest to address them.

We have, perhaps for the first time, real consensus on goals. I trust that there will be compromise and agreement by both parties to enact H.R. 1720 and to find the new resources that will be needed.

Thank you.

Chairman FORD. The Chair will recognize Mr. Downey at this time.

Mr. DOWNEY. Jim, what do you remember about the effort in 1979? I remember us going to then Secretary Califano's office for breakfast, and his asking us what we could do for welfare reform, and my memory is dim on what happened, but it all seemed to fall apart.

What are some of the pitfalls that you would urge us to avoid in this process?

Mr. CORMAN. Well, the pitfall was partisanship. I hope you can avoid it, and certainly, the chairman has made every effort in that direction. We did not have a bipartisan bill in 1979. It passed the House without a single Republican vote.

I think it passed 205 to 198. I was so pleased it got through. As I walked off the floor, former Chairman Wilbur Mills put his arm around me, and he said, "Jim, that was a great job. But it will never get through the Senate."

And that is what happened. It did not get through the Senate, and in part it was because we did not have a sufficiently broad consensus in the Congress to get it passed.

Some of the people who were opponents of welfare reform in the Senate are no longer there, and perhaps this is a year to do better, but I would hope that bipartisanship will start with this committee. As a matter of fact it will happen in this subcommittee, if it happens at all.

I again commend the chairman for his efforts in that direction and I wish him success.

Mr. DOWNEY. I have no further questions.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

I would just like to say that Jim Corman is truly one of my heros. I came to Congress after Jim had been one of the leaders of our California delegation. All of us that followed Jim really hope to emulate him, and have a great deal of respect for him.

Jim, one of the areas that I think is a major concern to all of us is the level of benefits, especially with the deficit problem we have today.

In terms of all of the proposals that you have seen—the National Governors' Association, APWA, and Representative Ford's—how do you propose that we deal with the benefit level?

The benefit level obviously should be increased, but how do you propose we deal with it, and what funding mechanism would you suggest in order to deal with it?

Mr. CORMAN. Well, Mr. Matsui, it seems to me, first of all, you have to decide whether this is a sufficient national priority to be recommended at a time when we have unprecedented deficits, and are plagued by Gramm-Rudman, and some other things.

It has always been my philosophy that public needs are addressed through the taxation of the citizens who benefit.

And it seems to me that one should be very careful about public expenditures, but I cannot believe that anybody in this nation truly wants their children to live on one-third of the poverty level.

Now the poverty level is computed by the statisticians who tell us how many calories a child needs each day, what it costs to keep them in out of the rain, what it costs to keep them adequately clothed. That is the poverty level, just the bare minimum, and, in some places, children live on one-third of that.

Is that something we ought to address at a time that we have to address so many other critical national needs, such as defending ourselves from the "red hordes" or whatever the current problem is, to building highways and to sending missiles into space, and I think all of those things are important and I believe in them.

I have a feeling that many of us, at the moment, are undertaxed. I would not like for the Nation to think that their taxes must be increased only because we want to give more money to people on welfare. That is not true at all. But in this whole scheme of national priorities, is saving our children from hunger and malnutrition, from degradation and from hopelessness, is that a national priority worthy of our concern—yours, and mine, as a taxpayer? I tell you, it really is.

Mr. **Matsui**. Thank you.

Chairman **Ford**. Thank you. Jim, on page 3 of your testimony, you reflect back on past experiences, noting that the lack of agreement on the "welfare record", the lack of consensus on future goals, and the absence of political support were crucial to the failure to address comprehensive welfare reform.

In addressing Mr. Downey's question, you talked about welfare reform and a bill in I guess 1975 or——

Mr. **Corman**. It was 1977 and 1979.

Chairman **Ford**. Was that in 1979 that we passed a bill?

Mr. **Corman**. We passed it. Yes, sir. In 1977 was when the Speaker appointed an ad hoc subcommittee, and that was when we took the first look at President Carter's very comprehensive reform. It had a large employment component, and it was expensive.

We were all really "on the edge of our seats" because annual deficits were running as high as $30 billion, sometimes.

Chairman **Ford**. Now were you chairman of that task force?

Mr. **Corman**. Yes, sir. And we finally roughed out what we thought were parts that needed to be improved, and came in with almost exactly the same budget as the President had proposed. The President endorsed it, Califano spoke in support of it, but it never got to any of the three major full committees for consideration.

The next Congress, we took somewhat the same bill but cut it back substantially, cut back the cost, and that year, relatively early in the year as I remember it, we did get it through the House with a majority vote, but it was not taken up by the U.S. Senate.

Chairman **Ford**. How did you address the issue of the national benefit standard in your bill?

Mr. **Corman**. I am sorry?

Chairman **Ford**. A national benefit standard.

Mr. **Corman**. Yes.

Chairman **Ford**. Was it included in the——

Mr. **Corman**. It was included, I do not recall the specifics of it, but we tried to get something, I think up close to 80 percent of the poverty level as a minimum, and then above the poverty level for those people who were employed.

We had something in the 1977 act, something that I hope this nation will look at some day, but I do not suggest it at this time.

All of us believe in the work ethic, and we believe that people ought to work and earn a living. In 1977 we made the Government the employer of last resort.

If you had done everything you could to get people into employment in the private economy, but you could not, then we said we will provide some kind of work, not work for welfare, but some kind of a public job that will pay some reasonable income, depending on the work done and the size of the family that had to be supported.

That was an extremely expensive thing to do. On the other hand, if we believe in the work ethic, and we believe in reasonable living standards, some day I hope we will address it. I do not suggest that for now. It is too expensive.

Chairman Ford. The National Governors' Association suggested in their recommendations that benefit levels should be increased, but they wanted some time in order to raise the benefit levels.

We have suggested, in this bill, that we would go to 15 percent of the State median income over a 5-year period, and in the sixth year, that we would say that the States would have to bring their benefit levels up to 15 percent of the State median income.

Do you have a response on that? I mean, we have heard some who have said, well, you know, the benefit levels still will not come up to the levels that they should be, and there have been others who will say that you will receive opposition from the Southern States. Can you comment on it?

Mr. Corman. I think you have come up with a unique and workable solution. It is true that the poverty level is sort of a national standard, and it is also obviously true that with the same number of dollars you can live better in one place than in another.

I used to think, as we wound our way through this, that if we could just get rid of New York and Mississippi, we might be able to reach some consensus about what living costs were, because they were always so low in Mississippi and so high in New York.

But looking at it from the point of view of what is the median income in that State makes some sense, and certainly, I expect you have to be modest in your first approach. Perhaps 15 percent is reasonable, and giving the States substantial Federal help in reaching that, seems to me to be Federal dollars very well spent.

But I would hope, that eventually, when we could afford it—we could afford it today, but not with the tax structure we have—that we will get everyone up to the poverty level. And when I say everyone, I mean those people who obviously are willing to work if they have the family situation, and the physical and mental ability to do so.

I believe that we ought not to guarantee everybody some reasonable living standard. We ought to guarantee everybody a job, if they are in that category of people who should work, and a decent living standard if they should not.

Chairman Ford. Well, as you know, Jim, title I of the bill, which we refer to as the "network program," would provide work, education, and training opportunities.

And it is the intent of the welfare reform package to say to the recipients, those who are able to work, that they would be trained, given the proper credentials, moved into the work force. That is the intent of this overall package.

We have not received any CBO estimates on the package yet. I am sure that we will be privy to most of that information on or before Thursday of this week.

What was the cost of your welfare package when you reported it out, and was it a real obstacle at that point, from the administration's perspective?

Mr. **Corman**. First of all, the administration supported the bill. As I recall—and I really am speaking from vague memory—the administration asked for about $7 billion, or so, in additional money, and our bill came out at about $8 billion, maybe $8½ billion.

Chairman **Ford**. Over how many years?

Mr. **Corman**. The next year. In other words, annually, that is how much we would have spent. A great deal of that would have been spent putting people to work, and we would have had the product of that labor. So it was not additional money without some benefit to the country, both from the point of view of its humanitarian purposes, and job creation.

That is one thing that we need to consider, everyone is entitled to the kind of education and training that puts them in competition with other people for jobs.

I think that we cannot say that our economy is in acceptable condition when 7 percent of the labor force that is already trained, and already has work experience, cannot find jobs. That is not an issue that this subcommittee can solve. What you can solve for the individual, is that he be given the tools he needs to compete for the jobs that are there.

I hope that somehow, we can move away from 7 percent being an acceptable level of unemployment in this country.

Chairman **Ford**. Mr. Corman, I have one final question. As we move to mark up this bill in this subcommittee later this week, and over the next 8 to 10 days, you suggested earlier that we should do most of our work here at the subcommittee, and not place ourselves in a position to compromise too much at this level? Perhaps I missed a word or two when you were talking to Mr. Downey earlier?

Mr. **Corman**. No, sir. What I had suggested—it is my own view, and I have been away from it a while now, I think that the bill that leaves this subcommittee, whatever it may be, will be the high-water mark for welfare reform. It will not be improved by the full committee, or the floor, or the Senate.

And so, when you begin to compromise, try to avoid compromising down to the lowest possible level. Get out of this subcommittee with the best possible bill that you can.

And again—and I am certainly not in a position to suggest to anybody what they ought to do—but bipartisan support, it was my experience, is tremendously important, and I would say that you should not sacrifice that, if you can get a reasonable bill with bipartisan support.

You remember Congressman John Rousselot, who was not a "flaming liberal", as perhaps some of us were. Every bill that I took out of the subcommittee, with his support, became the law, and there were some important ones, particularly in the area of foster care and orphan children.

But those which came out without some Republican support did not become the law. Now that is not to say that you should report out just anything to have bipartisan support. You have to have something that is going to improve the lot of poor children in this nation.

I am hoping that you can find that in a bipartisan bill in this subcommittee. I suspect that the bill will not be improved as it goes through the process. But I have heard of your reputation in conference. I am not too much afraid of the Senate destroying your bill.

They may not do as well as you do, on the Senate floor, but they face some tough adversaries from this subcommittee when they get to conference.

Chairman Ford. Thank you very much. And I must say, Jim, that it is the intent of this side of the aisle to work very closely with the Republican side of this subcommittee.

We have worked in the past, in drafting this bill, and we have heard from witnesses over the past 3 months, and we have heard from witnesses, in the last Congress, for approximately 15 months.

We certainly would approach that with open arms, to work with the Republican side of the committee, and hopefully we will have a bipartisan bill.

But it has been the intent of the majority side, to move right along to report a bill, and hopefully we can report that bill with bipartisan support. If not, we certainly will come with a bill that we think will respond to the needs of the poor children of this Nation, and really address many of the needs of the AFDC population of this Nation.

Mr. Matsui. Mr. Chairman.

Chairman Ford. Mr. Matsui.

Mr. Matsui. Could I just ask Mr. Corman one further question?

Chairman Ford. Surely.

Mr. Matsui. Jim, as former a chairman of the Public Assistance Subcommittee for a number of years, you know that handling this issue comprehensively is really the way to go.

Can you give us your analysis about the difference between handling the issue comprehensively versus piecemeal; and can you really reform the system over a period of years, if you only tinker with it with small pieces of legislation. Or does it require a comprehensive approach?

Mr. Corman. Well, it seems to me that you can split up the whole range of poor Americans into segments, and you can address those segments separately.

For instance, during the Nixon years, we really moved forward very significantly in what happens to the aged and the disabled.

We tried a family assistance program, which, as you know, died on the Senate side. If one thinks about this bill taking care of the children, and those who are responsible for the children, it is a fairly broad chunk of those who are poor. I think when you look at that piece of the population, you ought to do everything that you can to improve their lot in life. It is even more complicated than taking care of the aged and disabled. Nobody expects the aged and disabled to work, for instance, and so you do not have to worry about work and training programs for that piece of the population.

You do have to in programs dealing with children, because we expect the parents of children to work so long as it does not jeopardize the welfare of the child, and in most cases it does not.

And so you need more in this package than you need when you dealt with a less complicated portion of the population.

When you get to the other portions which you are not now addressing, the childless families, and the singles who are able-bodied and not old, that will take even more attention to jobs and to working, because we expect all of those people to work.

They are able-bodied, they do not have children to take care of, we expect them to work, but there are getting to be more and more in that category because the sustained high level of unemployment has resulted in many fewer employees being taken care of through the unemployment compensation system.

This committee has picked the portion that, it seems to me is the most important, not just from a humanitarian point of view, but from the strength of this Nation.

We just cannot afford to abandon one-sixth of the children, and say, "Well, we are not going to worry about you, or, we are not going to worry very much about you."

They are going to be marines, and soldiers, and schoolteachers, and doctors of the future, if they are given half a chance.

Chairman **Ford**. Mr. Levin.

[No response.]

Chairman **Ford**. Mr. Corman, again, thank you very much for coming and testifying before the committee. We appreciate very much your assistance.

Mr. **Corman**. Mr. Chairman, I wish you well.

Chairman **Ford**. Thank you.

The committee will call, before the panel, the Honorable Mary Marshall of the Virginia House of Delegates, and a member of the National Conference of State Legislatures.

STATEMENT OF MARY A. MARSHALL, DELEGATE, VIRGINIA GENERAL ASSEMBLY, ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES

Ms. **Marshall**. Good morning, Mr. Chairman. I am delighted to be here.

Chairman **Ford**. We are delighted to have you before the committee.

Ms. **Marshall**. I am Mary Marshall. I am a member of the house in Virginia. I am a member of the human services committee of the National Conference of State Legislatures. I chair their task force on long-term care.

And I am also on the National Advisory Committee on child support guidelines. So I bring to you a good deal of State perspective on these problems. But before I say anything about all that, I just want to say how much I admire Mr. Corman, and how pleased I am that I got to be here when he was testifying, and I want to echo his plea for simplicity.

It is a pleasure to be here, and I really want to commend you. You are tackling one of the most serious problems this country faces, and you are attacking it very forcefully, and I think that all of your work is going to do great good for a lot of people.

And that is one reason that I am so glad to be here today. The National Conference of State Legislatures does believe in the three pillars of your program: providing needed support services to enable recipients to be able to work; the parental responsibility of child support enforcement; and the training and education component that enables people to work.

And we applaud all of those initiatives, but we think the States are developing creative and innovative programs, and that they should move in the right direction, and should move with Federal assistance, if possible.

But we urge you not to clamp a fairly rigid system on the States, and particularly not one that is unfunded.

For instance, NCSL encourages all the States to raise the benefits to a minimum subsistence level, and we believe that the unemployed parent program is one that all States should have, but they do not have it as you know.

And one of the reasons they do not have it is that they are short of funds. The worst problems of course occur in the poorer States. As you mentioned, New York and Mississippi complicate our lives.

I am particularly pleased to see that you include child support enforcement as a major part of this, and some of the recommendations you make are the same that are made by this advisory panel on child support enforcement, including guidelines and regular updating of orders.

And the State legislatures have been very, very active in this field. The National Conference has provided technical assistance, not just in the drafting of program laws but in the designing of the programs itself, so that we can have efficient and beneficial child support enforcement.

But I must tell you that the complications that we, in Virginia, and in other States have run into, in connection with the Federal child support enforcement, the extremely complicated accounting system that was set up for us has made it very difficult.

You must have read about our troubles in Virginia because they were in the Washington Post regularly. When we went to other States, asking to look at what was going on there, we found they were all having the same kind of problems, and that in many States it was, for instance, quite customary not to answer complaints more than a few hours a day, or even a few days a week.

So I would urge you not to complicate that system further until we get it working a little better than it is now. I do not think we could take on a new system now, and have it work.

The network program we feel is too prescriptive, although it embodies things we would like to see, and I can illustrate. You have a different kind of program when you are dealing with the unemployed people in the coal fields, from what you deal with in the inner cities of the Tidewater and Richmond areas, where you have people who have been without jobs, and without motivation, and without hope for a very long time.

And we need to have different programs for meeting those different needs. We support the requirement of including the private sector, particularly in the designing of programs to get people into jobs. Unless there is a very close link, it does not pay off.

And we very much support the continued support of people who finally are employed, that they can continue some eligibility for Medicaid. So that there are some incentives to get off welfare and stay off welfare. That is sort of a summary of the points I have been making, and I would be glad to answer questions.

[The statement of Ms. Marshall follows:]

STATEMENT OF DELEGATE MARY MARSHALL, VIRGINIA GENERAL ASSEMBLY, ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES

I am Mary Marshall, State Delegate from Virginia, and member of the Health and Human Services Committee of the National Conference of State Legislatures (NCSL). In addition to being a member of the Health and Human Services Committee, I also chair the NCSL task force on long term care, so my perspective is a broad one.

It is certainly a pleasure to be here today to discuss welfare reform legislation among such distinguished company. I, like many of you here today, have been here before to discuss ways to improve our welfare system. I am hopeful that this year a welfare reform bill will be signed into law and would like to take this opportunity to commend the chairman for his tenacity and for making this issue a priority during the 100th Congress.

NCSL believes that ultimately, the Federal Government should provide the primary financial support for public assistance programs and that the programs should be State administered. We also believe that public assistance programs should promote self-sufficiency by: (1) providing needed support services to enable recipients to work, receive training or education; (2) promoting parental responsibility through improving the child support enforcement program; and (3) include a strong, but flexible work, training and education component. We also believe that until the Federal Government takes over the full financial responsibility for these programs, that the Federal Government should refrain from unnecessary State mandates that increase administrative complexity and State costs.

We support many of the concepts included in this proposal and applaud its goals, but we believe that States have proven that they are capable of developing creative, innovative and effective programs to reach these same goals and that they should be permitted to do so, unfettered by unnecessary Federal regulation. States are moving in the right direction, and are doing so with Federal assistance and without Federal intervention. We urge you not to hamper our attainment of these goals by imposing program requirements that add to the cost and administrative complexity of the program, ultimately hampering State efforts. Instead of costly mandates, we urge you to authorize greater waiver and demonstration authority to encourage States to test and develop program innovations that are not permitted under current law.

NCSL supports efforts to expand program options within the new family support program, but cannot at this time support either the mandatory minimum benefit floor or the mandatory unemployed parent program. NCSL believes that all States should be encouraged to raise benefits to a minimum subsistence level, but recognizes that State fiscal capacity must be considered. Likewise, we believe that the unemployed parent program is an important program option that all States should consider, but that States should continue to have the flexibility to determine whether to include this option in their family support program. I believe that over time most States will choose to include an unemployed parent program, without having the Federal Government require them to do so. This year, a number of States that do not currently operate such a program are considering making it a part of their AFDC program.

I am particularly pleased to see that child support enforcement has become a central issue in the welfare reform debate. I believe that we, as public policymakers must establish child support enforcement as an entitlement to children and that we must actively promote parental responsibility by making this a priority area. Absent parents must be made to understand that child support payments are mandatory, not discretionary.

I am proud to say that NCSL has a longstanding commitment in this area. Almost all of the State legislatures have completed the task of bringing State law into compliance with the 1984 amendments. NCSL was instrumental in that process, providing technical assistance to State legislatures across the country, sharing ideas and tracking progress. NCSL and State legislatures nationwide are committed to improving the child support enforcement, however, additional child support enforcement program amendments included in H.R. 1720 give us some concern. Many States are still working out operational wrinkles associated with the implementation of the 1984 amendments.

Clearly the issues of mandatory child support guidelines, regularized modification of support orders and increasing the number of paternity establishments are important ones and issues that must be addressed to improve the child support system. However, absent a considerable increase in funding for the Child Support Enforcement Program, it would be difficult, if not impossible for States to comply with the requirements in H.R. 1720. Several States are using child support guidelines and are experimenting with the regularized modification of support orders. NCSL believes that additional efforts must be made to share the successes and failures in these areas before we move to nationwide mandatory programs. We encourage you to provide funding for technical assistance and information sharing in these areas to better enable States to improve programs efforts in these areas. We recognise that major improvements need to be made in the area of paternity establishment and hope that you will work closely with us to help us improve in this area.

The area of broadest consensus is the need for a strong employment, training and education component. NCSL supports efforts to move recipients toward self-sufficiency by providing employment, training and educational opportunities and needed support services to make participation possible. The network program established in H.R. 1720 contains many elements that my colleagues in State legislatures across the country believe are critical to successful work programs. The network program, however, is unnecessarily proscriptive, limiting opportunities for State innovation and creativity. In addition, it reduces the ability of States to develop programs that are within the State budget, but sensitive to the needs of program participants in the State. NCSL would support a more flexible program that would permit States to: (1) establish target populations and priority services; and (2) to identify and target substate areas most in need of intensive services.

Your bill requires States to establish and operate the network program, but seems to provide States with the flexibility to make the program available, "where it is feasible to do so," after taking into account a number of critical issues, such as the number of participants and the local economy. Later, the bill requires states to justify why, if the State chooses not to make the program a statewide one, it chose not to do so. This implies that the network program is designed to be statewide, unless a State can justify why it should not be. We believe that additional flexibility is needed here.

NCSL strongly supports the requirement that the private sector be involved in the development and design of education, employment and training programs. We would urge you to include representatives of educational and training institutions as well. Members of the NCSL Health and Human Services Committee have been concerned about the apparent lack of coordination between our education and training institutions and potential employers. We must do a better job of ensuring that the education and training opportunities that we make available to program participants will prepare them for employment opportunities in the local economy.

NCSL commends you for recognizing and addressing the special needs of the children in public assistance households. Again, we would urge you to make these special services optional on the part of States, allowing States the flexibility to concentrate efforts elsewhere. We are very supportive of the demonstration authority in this area and would urge you to also support demonstration programs that would link child care and early childhood education programs for children from public assistance households. NCSL is particularly interested in this area. We believe that early childhood educational efforts may do more to help children graduate from high school than programs for high school students who have dropped out or are contemplating doing so. NCSL believes that States should be encouraged and provided assistance and incentives to establish programs in these areas, but do not believe that States should be required to establish such programs.

We would like to commend you for your efforts to provide support for program participants who are successful in moving off the welfare rolls, by extending their eligibility for child care assistance and medicaid. We do have some concerns about the increased costs associated with these extensions and would urge you to consider making these provisions optional. Ultimately, we hope that you will work closely with us to increase the availability of affordable child care and private health insurance all Americans, making the extension of those benefits unneeded.

On behalf of the National Conference of State Legislatures I thank you for this opportunity to share our views with you. I hope that our views have been helpful and will result in revisions that will enable us to put the full force of the Nation's State lawmakers behind your legislation. The conference looks forward to working closely with you and your staff over the coming months on this most important issue.

Chairman FORD. Mr. Downey.

Mr. DOWNEY. Thank you, Mrs. Marshall.

In your opinion, is poverty a national program that requires some sort of national benefit?

Ms. MARSHALL. I think if you are going to solve the poverty problem it will have to be a national program, because the worst problems are in the States that can least afford to meet—I was in Alabama just earlier this month and talking with people from Mississippi with the best will in the world. They are having great trouble in providing minimum education for their people.

They have housing problems, they have benefit problems, and I just think we have to share the wealth and share the misery if we are going to solve this problem.

Mr. DOWNEY. The statistic that I use concerns—which my commissioner will be speaking later about and who is probably is familiar with—my county of Suffolk, which has the highest welfare payment in the United States, $706 for a family of four, and the State of Arkansas which has a benefit of $226 for a family of four.

Ms. MARSHALL. That is right.

Mr. DOWNEY. While it is certainly cheaper to live in Arkansas than it is in Suffolk, it is not that much cheaper.

Ms. MARSHALL. That is right.

Mr. DOWNEY. How would you propose that we establish a minimum benefit? By financing AFDC more from Federal dollars? I mean, what would——

Ms. MARSHALL. I think you would have to establish a Federal minimum—I really do—and I think you would probably have to allow some States to add on. Even so, I cannot envision the Federal Government fully funding a program that would take care of the most expensive area.

I represent Arlington County. We are not exactly down on our luck over there.

Mr. DOWNEY. No, I know. I know.

Ms. MARSHALL. And a program that took care of everything in Arlington would be way more than you would need for Richmond, or for coal fields, or for Southside, where the need is much more desperate. But I think you have got to get a floor that will take care of the real poverty, and the poverty-stricken areas.

Mr. DOWNEY. Let me ask you a question about this work training and education. While I am all for it, I get nervous that the idea that work training and education, once we have provided a program, is somehow going to solve the problem.

What about the people who get trained and educated, and do not have jobs? Should the Federal Government provide them one?

Ms. MARSHALL. Well, that is a real problem, and that is one of the things that worries you. In the coal fields, for instance, you can give training, but if the only employment is coal mines—I mean, one of our administrators said cynically, that what we do is give them a bus schedule and buy them a ticket. That is a fairly heartless approach and it was endorsed by some members of this administration earlier. You think times are hard, you move. People do not want to, and I do not think we should make everybody move to the city.

That is different from my area, Arlington County, where there are jobs going begging, but the pay is so low that you cannot afford to live, and the transportation costs are so high, it is hard to get to a job.

Mr. Downey. So you would provide a job? Can I draw that conclusion from your answer?

Ms. Marshall. No, I do not think I would. I really do not know on that one. I certainly would not adopt, as a position—yes, we will see that there is a job for everybody. I think there are a lot of jobs going undone, that we ought to pay for, and from my long experience in the field of long-term care, this is one of the unskilled entry-level jobs where the work is badly needed, and there are people who want to do it, and the only thing that is lacking is a system of paying them.

Mr. Downey. Thank you, ma'am.

Chairman Ford. Mr. Matsui.

Mr. Matsui. Thank you.

Delegate Marshall, does Virginia have a two-parent AFDC program?

Ms. Marshall. No, sir. I thought that question might come up. We do in the coal field area.

Mr. Matsui. I see.

Ms. Marshall. We have had it for 2 years there. It has worked very well. One of the things we have discovered is people get off welfare a lot faster if there is an intact family with a regular breadwinner to help get them off.

We probably would have gotten them in this year, but this was not our budget year. We have a 2-year budget, and this was the year when we simply amend. I think it very likely that in the budget that comes in next January, we will cover the two-parent family.

Mr. Matsui. Do you feel that the Federal Government should mandate AFDC for a two-parent household?

Ms. Marshall. No, sir, I do not. I think it will pose a burden on the States that they really cannot afford, and there may be other things they can do in putting the money into training the people who are on welfare now to get off, that would be more beneficial.

I do not think you can make that judgment for every State, as to what is the best way for them to invest their money in improving their welfare program.

Mr. Matsui. I'd like to move to another subject.

Ms. Marshall. Yes.

Mr. Matsui. In Virginia you have a minimum benefit level in different regions of the State, is that right?

Ms. Marshall. Yes. We do.

Mr. Matsui. Now, for example, you were talking about the coal fields having one level, and then I guess Northern Virginia, which is more urban has a different level.

What is that based upon?

Ms. MARSHALL. It is based upon the cost of shelter, shelter only.

Mr. MATSUI. OK.

Ms. MARSHALL. We did a long study, and we discovered that was the one thing where there was a really big difference in various parts of the State. So the difference is the shelter allowance. We do not call it that but that is what it is.

Mr. MATSUI. Right. Then basically, the purpose is that the benefit levels are supposed to be equal in terms of what you get for your dollar.

Ms. MARSHALL. That is right.

Mr. MATSUI. It is different because of the different standards of living for the various regions?

Ms. MARSHALL. Yes. Exactly so.

Mr. MATSUI. Thank you.

Chairman FORD. Thank you.

Ms. Marshall, you indicated earlier that Virginia might consider the provision for the unemployed parent, or the intact family provision of AFDC in——

Ms. MARSHALL. Well, there are going to be a lot of us pushing for it very hard.

Chairman FORD. It was before the general assembly, I guess, in the last session.

Ms. MARSHALL. That is right, and the money committees both were friendly. It is just that this was the year when you only appropriate the surplus that has accumulated, that you did not anticipate.

Chairman FORD. Yes. And what was that cost going to be to the State of Virginia, about $6 million?

Ms. MARSHALL. That is my recollection. I was going to say 6. It may have been 8. I did not bring the figure with me.

Chairman FORD. $6 to $8 million——

Ms. MARSHALL. That is right.

Chairman FORD [continuing]. Would have been the share that Virginia would have to have put into the program?

Ms. MARSHALL. Yes. That is right.

Chairman FORD. Concerns have been expressed about cost, and I would note that my State—Tennessee is one of the States that has not opted into the intact family program.

Mr. Corman testified earlier, and he talked about how cruel it is to say to children that in order for you to qualify for benefits under public assistance, in 24 States, that your father would have to leave the family or the home.

Now are we talking about dollars, or are we talking about profamily policies, or are we talking about maintaining intact families? When we look at the total picture, and we see school dropouts, alcohol abuse, crime within our communities, I would just have to believe—and I have not looked at any of the trends to say that we can point to the problem of the welfare population at all—but to ask the father to leave in order for the kids to be eligible for welfare benefits just does not set well when you really think about the broader picture.

Ms. MARSHALL. I agree with you, philosophically. I think it is immoral to say that a family has to break up before they will get any help, but I am speaking as a member of the Virginia Legislature, not as a——

Chairman **Ford**. Are you speaking for the Virginia Legislature, or are you speaking for the National——

Ms. **Marshall**. Well, you asked me my opinion, and I gave you mine. The National Conference of State Legislatures thinks that is a decision that the States should make. That if the Federal Government wants it done, they should pay for it. If they do not want to pay for it, then they should leave it to the States to decide how the program should go.

And I think that is not an unreasonable position, either.

Chairman **Ford**. So their position is—the National Conference, I am speaking of, not the Virginia Legislature——

Ms. **Marshall**. Yes.

Chairman **Ford**. But the National Conference is open in this area, and is saying that the States should have the option to opt in or out——

Ms. **Marshall**. The State should have the option. They think the States should adopt this option, but they do not think it should be mandated unless it is paid for.

Chairman **Ford**. But still leaving it up to the States to opt in or out of the program?

Ms. **Marshall**. Oh, yes.

Chairman **Ford**. But they encourage the States to adopt the legislation to opt into the program?

Ms. **Marshall**. Yes. They do.

Chairman **Ford**. Now what about the benefit levels, an increase in the benefit levels in the provision of this bill that is——

Ms. **Marshall**. Our position is fundamentally that if the Federal Government wants something done and wants to pay for it, we will help, but we will not undertake to finance the mandates that seem proper to the people in Washington.

Chairman **Ford**. So now is that the National Conference's position?

Ms. **Marshall**. That is their position on almost every issue, that if you want it, you pay for it. That cannot come as a surprising statement.

Chairman **Ford**. All right. We thank you very much, Ms. Marshall.

Ms. **Marshall**. Thank you.

Chairman **Ford**. We will call up Mr. Stephen Heintz, commissioner of the Connecticut Department of Income Maintenance, Mr. Gregory Coler, secretary of the Florida Department of Health and Rehabilitative Services, and Cesar Perales, the commissioner of the New York State Department of Social Services.

We welcome this panel before the committee. We are very delighted to have you here. I know that along with others throughout this Nation, we have been in close contact with the three of you over the past 2 years. I have enjoyed working with you, and I anticipate a very close working relationship in the weeks to come as we mark up this bill in the subcommittee and the full committee, and hopefully, if we get it to the House floor.

The three of you, and all public welfare departments throughout this Nation, have all been a great help to us here on the subcommittee, and we are very appreciative of that, and at this time the Chair will recognize you in the order that I called your names. Mr. Heintz.

STATEMENT OF STEPHEN B. HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. **Heintz**. Thank you very much, Chairman Ford. I am Stephen Heintz. I am commissioner of the Connecticut Department of Income Maintenance, and I am here this morning on behalf of the American Public Welfare Association as chairman of its project known as a matter of commitment which has been our year-long welfare reform project.

I am delighted to have an invitation to be back before this committee, and I appreciate your invitation.

I would like to commend you, Mr. Chairman, for your leadership on this issue, and your dedication. I attended the press conference that you held a week ago, or a week and a half ago with the Speaker of the House, and I would like to say that as I left that room, I really felt that we were participating in an historic moment, and we have an opportunity, this year and next, to do something that has eluded this country for many years.

That is, to reform our welfare system to make it a pro family, pro children system, that helps propel people out of dependency and into self-sufficiency.

And your leadership on the issue has really contributed to make that happen, and we want yon to know, from the association, how much we appreciate it.

I also would like to take this opportunity to thank Representatives Matsui and Kennelly, who earlier this year introduced the Family Investment Act of 1987, which really translates into legislative language our report entitled "One Child in Four" which we have discussed with you on a previous occasion.

I think that the Family Welfare Reform Act of 1987, as introduced by the chairman, H.R. 1720, is an excellent vehicle for this committee's work on welfare reform.

As we move along in this process in the weeks ahead, we must continue to focus on the needs of America's children as the primary reason why we are interested in welfare reform.

Our challenge, then, is to devise a system that both leads current welfare families into self-sufficiency, and ultimately assures that families do not need public assistance in as many cases as possible.

In the meantime, obviously, we cannot continue to throw away our children just because of the circumstances of their birth, nor should we sustain a system that maintains poverty or fosters dependency.

In our view, as an association—and this is responsive to one of the questions posed by Mr. Matsui earlier—this is not a time for a piecemeal approach to this problem, or half steps, or incremental change. We must now move to adopt a broad, comprehensive national policy and program that is based on the obligation of parents to provide for their own well-being, and that of their children, and

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on the mutual obligation of individuals and society to work together to promote family stability and self-sufficiency.

We are very pleased that the legislation before the committee today presents such a comprehensive approach. We really feel that comprehensiveness is the way to get to an answer to this problem, and while we have submitted rather lengthy and detailed testimony, I would like to briefly summarize a few key points.

First, I would like to talk for a few minutes about the network program.

We believe that the network approach is a commendable, comprehensive approach to vastly improving the current programs for education, training, and employment of welfare recipients.

I would note, with some pleasure, that the proposal which is similar to our own APWA proposal is based on the successful WIN demonstrations currently being operated by a number of States.

We applaud the flexibility that the bill provides to the States for designing programs that tend to meet the very particular circumstances within each State.

We support the 75 percent uncapped Federal financial participation, and we are delighted that you have chosen to specify that administrative responsibility be vested in the State Welfare Department because that is where we believe it ought to be.

And we agree that the services should be targeted to those who are likely to be long-term recipients, or who have been long-term recipients, or those who, for other reasons, because of particular deficiencies of education, or background, are the hard to serve.

But we would suggest that the actual provisions of the law appear at least, at our first reading, to be overly complex in the way that the priorities and incentives are established.

We would like to work with the Subcommittee in the days ahead to perhaps simplify and refine while maintaining the same sense of priorities that I think the bill clearly spells out.

I say this in the context of Representative Corman's remarks earlier, that anything we can do to simplify these programs will greatly increase our ability, as administrators, to carry them forward.

We would also make the specific recommendation, that while in the bill, skills training is a subject and a service that States are encouraged to provide, we would suggest that it be added to the list of mandatory services that all States provide within the employment and training program.

We have found in our own program that skills training is a very important element of our ability to help move people into productive jobs with a career future.

And last, in terms of my comments on network, we would caution that job search itself should not replace, in any way, an emphasis on education, and training, and skills.

Job search, we have found—and statistics would bear this out—job search activities, in and of themselves, are very successful in a short term kind of context of promoting somebody quickly into a job.

But what we found is that if the job search activity has not been preceded by adequate basic education, remediation, and skills training, that the jobs they get through job search are only of short duration.

I would like to turn now to the service delivery mechanisms that you are recommending, the social contract and case management, and again I would like to commend you. We are delighted that these concepts, which we feel very strongly about, are included in your bill.

We would suggest that perhaps the legislative language could be fine-tuned a bit to make sure that the contract is a mutual and balanced agreement that places as much emphasis on the needs and desires of the client as it does on the requirements and expectations of the welfare system. The client, in our view, must, at all times, be at least an equal partner in the process of negotiating an employability plan, and of negotiating a set of expectations and obligations that both the agency and the client would agree to pursue.

And we would also suggest that the employability plan and the contract itself be merged, so that they are in effect one and the same.

The employability plan becomes the centerpiece, if you will, of the contracting process. But it must be the result of a full assessment of both the family's resources, and the family's needs, and the variety of services and options and programs through which the client can gain access to the kinds of resources not currently available to the family.

The case management concept, or some better term that we might all agree to later on, certainly will require significant changes in a way that State and local welfare agencies across this country conduct their business—appropriate, and, we think, overdue changes.

Workers will be serving more as client advocates, client assistants, than they are currently allowed to under present law. But clients must have the lead role. They must be in the lead, they must be in charge, supported by the case managers, and not the other way around.

The case manager, in no circumstance, should become a substitute for individual motivation, for individual opportunity, and for individual responsibility.

Turning now, if I might, to the family support and supplements area, I think we can all concur—and we have heard earlier testimony this morning—that the current benefits available across the country are both inadequate and inequitable, and this bill offers several key provisions to redress the deficiencies of the current benefits structure.

First, it requires annual updates in each of the States to the benefits made available. Second, it encourages increases in benefits through incentives in the Federal financial participation rates.

And third, it requires that we move toward a minimum benefit in each State, over five years, that would equate to 15 percent of median income.

I would like to offer a few comments, and some suggestions, if I might. First, the association believes that benefits ultimately should really be based on an assessment of both needs and costs, the actual costs of providing the basic essentials of family life—things like housing and utilities, clothing and food.

A fixed percentage of median income does not necessarily reflect that equation of needs and costs in each of the States. So, as I have testified to earlier this year, we believe that the best approach to establishing over time—and even a longer time frame than perhaps the five years that you are envisioning—a more realistic base for benefits, and for increases over a period of time, is a family living standard as proposed in our report.

The family living standard would be based on a national methodology for surveying those actual costs in each of the States, and while differences between States would then still exist, those differences would be based on the differences in the cost of living, and not in the differences of the State's ability to pay or some other measure or standard.

We are suggesting that the family living standard, phased in over time, would really promote a stable economic foundation from which the family would then have much greater opportunity for success in completing the comprehensive welfare to jobs programs like the network program in this bill.

The family living standard would simplify program requirements, and it would certainly go a long way to simplifying administration because we are recommending that AFDC, food stamps, and low-income energy assistance, as they are available to families, be collapsed and replaced by the family living standard itself.

The family living standard process really begins with a total assessment of family resources. What is the income that may be available from earnings? What is the income that is available from child support? What can we do to enforce child support payments? What stipends may be available? And after all of that is assessed, the family living standard payment then becomes a supplement to whatever resources the family has, filling in the gap between their level of resource and their need.

Specifically, Mr. Chairman, we would like to suggest that the legislation before you at least include a provision for a thorough study of the family living standard approach, perhaps by some neutral third party like the National Academy of Science.

We would like to see the results of that study perhaps available to Congress within a year of enactment of the legislation, and we would like that study to include a proposed methodology for surveying the costs in each of the States, and perhaps a timetable for its implementation.

As I conclude my remarks, Mr. Chairman, I wish to reemphasize our basic and fundamental support for the direction this legislation is taking.

It certainly includes significant improvements in the three key areas that make up comprehensive welfare reform—education, training and employment, and the necessary support services to encourage that, first.

Changes in the service-delivery system itself, contracts and case management—that is the second—and fundamental changes to improve the benefits available to poor families and children, as the third.

If we do not move forward this year with a bill that encompasses all three elements, we will not have reformed the welfare system, we will not have seized this historic opportunity to really make a significant material improvement in the quality of life for millions of American children and families.

We will not have made the kind of investment in the future of our society that I think we can all agree is overdue.

We would very much, Mr. Chairman, like to continue to be a resource to this committee over the days and weeks ahead. Anything that we can do to further your work, we are most eager to do.

Thank you very much.

[The statement of Mr. Heintz follows:]

STATEMENT OF STEPHEN B. HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, AND CHAIRMAN, APWA MATTER OF COMMITMENT STEERING COMMITTEE, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

INTRODUCTION

Good Morning. I am Stephen Heintz, Commissioner of the Connecticut Department of Income Maintenance and Chairman of the Steering Committee of the American Public Welfare Association (APWA) project, "A Matter of Commitment." We thank you for inviting us to join you today and we commend you, Mr. Chairman, for your dedication to make a better life for America's poor children and for your leadership in assuring that action will be taken to make welfare reform more than a topical issue or partisan debate. We have been pleased to have been part of the Subcommittee's on-going hearings on welfare reform—particularly to have been able to present to you the findings and recommendations of State and local welfare commissioners in our report, "One Child in Four." We appreciate the leadership of Representatives Kennelly and Matsui in translating our proposals into the Family Investment Act of 1987. The collective efforts of the subcommittee, the governors, the State welfare commissioners, and other executive branch organizations, public interest groups and advocates have led us to this moment—have led us to deliberate the elements of a new policy for promoting self-sufficiency and stability in America's poor families and to move forward boldly to finance and implement such a program.

CHILDREN: THE FOCUS OF WELFARE REFORM

In preparing to meet with you this morning, my colleagues and I pondered the character and motivation of the original drafters of the Social Security Act. It was an unprecedented action in social policy for this country, yet it had its precursors—including the widows' pension laws. How much courage did it take for legislators to advocate public support for widows and orphans? How difficult was the choice between condemning children to life in an institution or assuring that the family would not be broken up? From our perspective some 50 years later, these choices seem comparatively easy ones. Yet we know that the drafting and passage of the Social Security Act was neither broadly supported nor easily achieved.

The task before you is even more formidable. The sympathy and understanding that can be evoked for widows and orphans diminish when we focus on today's poor families—comprised in large measure of unwed or deserted women and their children, or intact families which, despite their motivation, are unable to find stable employment.

In the final analysis it will not be enough for us to support or pass newer, more relevant social welfare policies. We must ultimately assure that families and children do not get to the point of needing public aid. In the meanwhile we cannot continue to throw away our children just because of the circumstances of their birth. Nor should we sustain a welfare system that maintains poverty or fosters dependency of families.

The real issue before us is not whether the national deficit is too great, nor whether government has grown too large, nor even whether our human services programs have been ineffective. The issue before us is our children and whether we have the courage and the resolve to do what must be done for them. We cannot alter in the next year or two the problems and consequences of the last several decades, but we must begin with a clear understanding of what we wish to achieve. We must outline the efforts that need to be undertaken and how those efforts may be sustained.

This is not the time for piecemeal approaches and half-steps. We must adopt a comprehensive policy based on the responsibility of individuals to provide for their own well-being and that of their families; based on the central place of families as the building block of American society and, on the mutual obligation of the individual and society to assure an active citizenry and a strong and productive nation.

REVIEW OF H.R. 1720, THE FAMILY WELFARE REFORM ACT

Mr. Chairman, I would now like to turn to a review of the key parts of H.R. 1720, the Family Welfare Reform Act. I want to commend the Chairman and the Subcommittee staff for the development of this important comprehensive legislation. It is an outstanding bill to serve as the vehicle for this committee's efforts on welfare reform.

THE NATIONAL EDUCATION, TRAINING AND WORK (NETWORK) PROGRAM

The NETWork program is a positive education, training and employment program for welfare recipients. As with the proposals put forward by APWA, the NETWork program is based in large part on the success a number of states have had in moving welfare recipients into nonsubsidized jobs through the Work Incentive (WIN) Demonstration program.

The NETWork program would provide states needed flexibility in selecting the best mix of program elements to meet the needs of clients and the specific economic conditions in the State. A wide range of services would be available to clients including high school or equivalent education, remedial education, on-the-job training, skills training, job search, counseling and job referral and other activities. The NETWork program also recognizes the need to make the most efficient and effective use of limited welfare-to-work resources by encouraging the targeting of education, training and employment services to those most in need of services and to those who have traditionally been the "hardest-to-serve." We are extremely pleased that the NETWork program would be supported by a 75 percent, uncapped Federal share for the costs of the program, consistent with the APWA proposal. In addition, responsibility of NETWork would reside in the State human service agency as is the case in the WIN Demonstration program. This feature is one of the chief reasons that WIN Demonstration programs have been so successful. By placing resources with the same agency ultimately responsible for the State's self-sufficiency efforts, accountability for meeting goals and reducing welfare dependency is clearly and unambiguously set.

The approaches offered by the NETWork program are commendable and we believe they will lead to the greater employability of welfare recipients, decrease "long-term dependence" and over time reduce the need for cash assistance by enabling people to reach self-sufficiency more quickly and in greater numbers. The resulting improvement in the lives of a generation of children is incalculable.

The implementation date of the NETWork program is October 1, 1989, although States could implement the program earlier. This implementation date would allow adequate time for eventual passage of the legislation, the development and promulgation of regulations, and the planning and development of state programs. Of immediate concern, however, is what will happen to existing education, training and employment programs during the transition to NETWork.

As you know, Mr. Chairman current funding for the Work Incentive (WIN) and WIN Demonstration programs will expire on June 30, 1987. Authority for the WIN Demonstration program is due to expire on June 30, 1988. While we are supportive of the NETWork program approach, it is imperative that we not lose sight of the immediate need for continued support of state programs funded through the WIN and WIN demonstration programs. We urge you all to continue your active support for adequate funding for these successful programs to provide a bridge of employment and training services until a new and better welfare-to-work program is in place.

We believe that other provisions of this legislation that would take effect on October 1, 1987—such as child care services, work incentives, earned income disregards, extended child care and medical assistance for participants moving into employment, and intensive services to teen parents—will better assist participants in moving from welfare to self-sufficiency. In fact, it is only with these additional elements that the employment and training program can be effective.

APWA's support for comprehensive welfare-to-work programs is a matter of record. We do have some specific concerns with the design of the NETWork program, however, and would offer the following suggestions for improvement:

TARGETING

While we applaud the determination to emphasize services to those who are or are likely to become dependent on assistance and those who are "hard-to-serve." The legislation lays out an unnecessarily complicated system for determining priorities for service in the program. We feel that a less complex targeting mechanism could be developed to provide incentives to States to target services to those most "at-risk" of long-term dependency and to those most in need of the assistance.

PROGRAM ACTIVITIES

In general, we are pleased with the wide variety of program activities available to clients through the NETWork program. Such variety allows States reasonable flexibility in program design while focusing on activities that have been proven successful in improving participants' educational attainment and skill levels and their employability. The legislation would require States to offer five of eleven listed activities including high school or equivalency education, remedial education, job search, job readiness preparation, and counseling and job referral. States would further be required to offer at least two of the remaining six activities. If the activities must be prescribed, we recommend that a critical program service to be included is skills training. It has proven to be the key element for improving the employability of program participants.

Another concern we have with the program activities section is in the area of job search. Job search has proven to be an effective, and lower-cost activity for participants who have a comparatively higher level of education, skills or previous work history. It can also be an effective tool during the initial application process, although we must ensure that job search cannot be used as the basis for delay in the application process or denial of program services and benefits. Moreover, it appears that the legislation would allow job search activities to take place during a participant's involvement in another education or training activity. This would be disruptive to the participant who is in the midst of a training or educational activity and could also adversely affect the success of the participant's longer-range employability plans and goals. We recommend that job search activities be specifically prohibited during a person's participation in another education or training activity unless specified in the participant's contract.

SOCIAL CONTRACTS AND CASE MANAGEMENT

We commend you, Mr. Chairman, for including in the Family Welfare Reform legislation provisions for client-agency contracts and case management. We believe that the client-agency contract reflects the primary responsibility of families to care for themselves and the mutual obligation between individuals or families and society. The process that we proposed begins with an assessment of the family's strengths, resources, and needs.

Such an assessment would require skilled personnel using valid and reliable assessment instruments in the areas of educational attainment, work experience, family development and income security. Using the assessment as its basis, an action plan would be jointly developed with self-sufficiency as its goal.

The heart of such a plan is the employability component; that is, the steps to be taken for the client to move from the welfare rolls to economic independence. The total plan, along with the provisions for how it will be achieved—what actions are required or expected of the client and of the agency—represent the client-agency agreement. From the onset, the client is encouraged and supported in taking the primary responsibility for the plan's development and implementation.

We recognize that such an approach will require our agency staff work in a different way—indeed it requires the social services agencies (at the local, State and Federal levels) to be reformed as well. Our intention is to establish a balanced client-agency partnership where the case manager may function as a client advocate in ways that the system may have constrained in the past. The client is expected to take the lead in plans, decisions, and actions that lead to independence from the welfare system. In those cases where more agency support or guidance is needed, it will be available.

We would encourage you, Mr. Chairman, to ensure that the client is at least an equal partner in the development of a total plan for economic independence and that the total plan be incorporated into the client agency contract. The language of H.R. 1720 implies that the plan and the contract are two separate documents, that the plan focuses on employability only and that it is devised by the agency with the client apparently brought in as the plan requires a signature, thus making it a contract. Moreover, in our view, the case manager is a broker and coordinator of services and not a manager of the client.

One final note about case management, particularly as it relates to minor parents. We support your proposal, Mr. Chairman, that minor parents have available to them more intensive case management services. We do not believe, however, that in such instances, the case manager should become a surrogate parent or caretaker. The family must always be encouraged and supported in caring for its members (unless, of course, there are extenuating circumstances which places a family member in physical or emotional jeopardy).

FAMILY SUPPORT SUPPLEMENTS

The adequacy of existing benefits and the inequity of benefit levels among the States have been of great concern to my colleagues and me, as well as to members of this subcommittee. We are pleased that this legislation addresses these concerns by requiring states to annually reevaluate their payment standard and by encouraging States to raise benefits through enhanced Federal financing. The legislation would also require that after 5 years. States would have to provide benefits at least equal to 15 percent of the States's median income. Under current State median income levels, 18 States would be required to raise benefits. We believe that this approach to raising benefits and providing greater equity in benefits, while welcome in principle, is only a partial answer and is subject to some of the same criticisms as the current AFDC benefit system. [Most recently reviewed in a GAO Briefing Report to Senator William V. Roth, Jr. (R-Del.).]

We strongly believe that benefit levels should be based on need and the actual cost of providing basic necessities such as food, housing, utilities, clothing and other items. Basing benefits on an arbitrary standard such as the poverty line or a State's median income does not accurately reflect need or the actual cost of living. The proposed Family Support Supplements based on a State's median income also allow benefit inequities between the States based not on cost-of-living but on an arbitrary measure. For example Maryland, which provides yearly AFDC benefits of $4,140 to a three-person family—in the mid-range of State benefit levels—would have to raise benefits due to its relatively high median income. On the other hand, New Mexico, which provides more than $1,000 less in benefits to a three-person household per year, would not be required to raise its benefits due to its lower median income. Whether such disparity is a fair reflection of the difference in living costs at the low-end of the income scale is questionable. Benefits to poor families and children should be based on needs and costs, not on personal income characteristics of the State in which they happen to reside.

We believe that the best approach to establishing and increasing benefit levels is through the Family Living Standard (FLS) as proposed by APWA. The FLS would be based on a national methodology for calculating actual living costs and each State would then apply that methodology to determine actual benefit levels for eligible families. Although benefits would vary between States or even within a State, they would be unambiguously based on the true cost-of-living rather than on an arbitrary standard. The FLS, to be phased-in over time, would provide a stable economic base as families move toward self-sufficiency and would serve to complement a comprehensive welfare-to-work program such as NETWork.

The FLS would replace benefits to families with children under the Aid to Families with Dependent Children (AFDC), food stamp, and Low-Income Home Energy Assistance Programs. We believe that this approach would improve program efficiency and effectiveness and client access to the welfare system, while reducing administrative complexity, and administrative costs at the Federal and State level. The FLS would also eliminate the current relationship between the AFDC and Food Stamp Programs that researchers have found to be disincentive for some States to increase AFDC benefits.

We recommend that this legislation at least include a provision to undertake a study of the FLS approach through an organization such as the National Academy of Sciences. We would further recommend that the results of this study be available to Congress within one year of the enactment of this legislation and that the study include a proposed methodology and timetable for implementing the FLS.

The value of an FLS approach is multifold. The FLS begins with the participants' own resources—child support, earnings, stipends, etc. The family is then eligible for an income supplement that closes the gap between their own resources and the established FLS. As a result, issues having to do with child support pass-through, for example, would not be relevant. The family would be expected to receive the full amount of child support. In fact, for eligible families, child support must become the starting point for income security. Rather than debate whether $50 or $100 is a sufficient incentive for families to pursue child support and whether a pass-through is worth the administrative expense, a basic assumption of our committee has been that parents bear the primary responsibility for the support of their children. We are convinced the FLS provides the best approach to meeting family needs while also encouraging family responsibility.

COORDINATION AND SIMPLIFICATION OF FAMILY SUPPORT PROGRAM AND FOOD STAMP POLICIES

As I indicated previously, we believe that the best way to coordinate and simplify programs is to consolidate AFDC, food stamps and the Low-Income Home Energy Assistance programs into a single cash-assistance program—The Family Living Standard (FLS).

The coordination and simplification of programs for low-income people has been of great concern to Congress. Federal agencies and the States. We believe that coordination and simplification of programs would:

Reinforce the dignity of low-income families.
Increase client awareness of availability of programs.
Improve client access due to simpler applications for benefits.
Increase legitimate participation.
Increase effectiveness of service to clients.
Reduce administrative burden, and
Reduce Federal and State administrative costs.

The increased efficiency that would arise from more consistency in programs serving largely overlapping populations is self-evident. The present waste of resources necessitated by needless complexity is especially intolerable at a time of fiscal constraints and a building consensus that the paramount goal of both programs is ultimate family self-sufficiency.

APWA and its National Council of State Human Service Administrators have developed a comprehensive set of legislative and regulatory recommendations for consolidation and simplification of the AFDC and food stamp programs. Those recommendations have been shared with members of the this subcommittee. The goals of these proposals are: First, removing and replacing complex and sometimes contradictory policies with a streamlined coordinated set of policies to reduce barriers to participation in the AFDC and food stamp programs. Second, by coordinating and simplifying the programs. The administrative burden in maintaining separate complex requirements for programs serving overlapping populations is reduced. Finally, such simplification can provide a clearer, more coherent program base from which efforts at client self-sufficiency can be launched in the absence of the "FLS" approach.

Mr. Chairman, we appreciate your concern for the need to coordinate and simplify these major benefit programs by creating an advisory group to study and make recommendations in this area. We believe, nevertheless, that the time to act on program coordination and simplification is now. We recommend that short of the implementation of the "FLS" program consolidation, specific provisions for coordination and simplification be included in this legislation. Please be assured that we stand ready to work with you in this effort.

If, however, actual coordination and simplification proposals are not included in this legislation, we recommend that the advisory group specifically include Members of Congress who have oversight over these programs as well as the other members listed in the legislation.

CONCLUSION

Welfare commissioners have been accused at various times of various deeds. To some we are insensitive bureaucrats; to other irrational bleeding-hearts. At one time or another we may be all of the things we are called, but for the record, we would like to be known as a group of public officials, of diverse orientation and interest, who have come together to rekindle faith our public institutions and our private goodwill. We came together to marshall our collective concerns and knowledge about this country's poor children and their families and to take the risk of proposing unpopular reforms in an unpopular system. We wish that effort had not been necessary; that individuals and families could adequately care for themselves. We wish that voluntary organizations and institutions could sustain needy families and individuals. We must take action now to make self-reliance reality, to establish relevant job training and job development initiatives and to insure economic stability as people move from welfare to economic independence, and we must sustain that action over the next decade. In our "One Child in Four" report we include a reference to Mary Joseph, a local welfare administrator in New Orleans, who said, "welfare can't be a pipeline to forever". Surely we all agree. Let us rekindle our faith in each other, in our public and private institutions, and in the belief in this Nation's ability to promise our children a better future and then to make good on that promise.

Chairman Ford. Thank you very much. Mr. Coler.

STATEMENT OF GREGORY L. COLER, SECRETARY, FLORIDA DEPARTMENT OF HEALTH AND REHABILITATIVE SERVICES

Mr. Coler. Thank you, Mr. Chairman.

I want to extend very heartfelt thanks to you, and the members of the committee, as well as your staff, for the efforts that you have made to make significant changes in the system. Welfare is definitely ready for reform.

It is hopelessly bound up in redtape. It is focused on getting people through the month rather than getting them through life, and it really has developed into a trap, rather than the springboard that it could be.

I think that the first step in any welfare reform package has to be to make the system cleaner, leaner, and easier to maneuver. Welfare case workers are trying to operate with a manual of rules and regulations that would challenge a rocket scientist. Every program has different definitions of what poverty is, and different theories about how to get people out of it. The resulting confusion is what drives up the error rates, meaning people get less, or more help than they are entitled to, fraud is harder to detect, and case workers are spending all their time filling out forms instead of helping people get off welfare.

It would certainly be helpful if we could come up with a single Federal definition of poverty in the United States. I realize that that is extremely difficult with seven different congressional committees overseeing the mosaic of programs designed to help the poor, but sooner or later, it is going to be essential, if we are going to be successful in getting our massive welfare system turned around and pointed in the right direction.

When I was in Illinois, we ran a demonstration project where we used the same eligibility standards for AFDC and food stamps and a simplified application form. Their rate was cut in half which saved a lot of money in improper payments. We saved many millions more and reduced administrative costs.

The money that we could save by simplifying the system, making it leaner, making it more efficient, and more coordinated, could go a very long way towards financing some of the elements of welfare reform that will drive the costs up. Raising benefit levels, expanding the caseload, and extending Medicaid coverage is going to cost the State of Florida about $40 million, and I am a little afraid that all of our noble efforts at reforming the welfare system, and making it more effective could be stymied because of the difficulty that the 18 States referred to, including your own, will have in raising that money on an immediate basis.

I think that reforming the system, and making benefits more equitable across the Nation are both certainly good and great ideas, but I am afraid that they may have to be dealt with separately so they do not get in one another's way.

As the new chairman of the National Council of State Public Welfare Administrators' Association Income Maintenance Committee, I agree that benefit levels and restrictions on payments to two-parent families need to be changed. But at the same time, I would hate to see a real chance at significant welfare reform, regardless of what the benefit levels are in States, fail because there is such a significant number of States that just cannot cut the resource requirements in the immediate timeframe ahead. I think that would be a real shame.

There are many good ideas in the proposed bill, ideas that will vastly improve our welfare system, and help it to do a better job of truly serving the needy in our country, no matter what State of this Nation that they are living in.

Many of us look on welfare as a giant economic engine that has been chugging down the track in the wrong direction. All of our efforts have been aimed at processing paperwork, churning out welfare checks, and maintaining the needy in a state of poverty.

To me, and to the great majority of my colleagues, that just does not seem right, and that is why we are so excited about the direction that your legislation is headed. Many of us have always thought that welfare departments should be giving people more than just checks, that we ought to be giving them a chance, and that chance translates into education, job training, and placement—placement in a decent job with a chance of a real future.

I would like to see our welfare system become an employment agency for the poor. Finding jobs for people should be our main business, but it means we are going to have to really overhaul the agencies that we are currently administering, and get them to learn how to really operate an entirely new enterprise, that of being an employment agency for people on welfare.

Increasing the size of somebody's welfare check is nice, it makes their life a little bit better, but not much. But if we can get somebody a job where they have an opportunity to work hard and move up a career ladder, then we really have accomplished something, and I know that is the intent of your bill.

Getting a job puts an end to one of the worst things about our welfare system—the vicious cycle of generation after generation of a family living on welfare. As a welfare administrator, there is nothing sadder than watching the son, or daughter, of a woman on welfare get into the business of having a family before they are economically prepared, drop out of school, and end up on welfare for a lifetime. When that happens, we all know that we have truly failed, we have let down the people that we are paid to help, and we are looking at another $300,000 of expenditure to support a family over a generation on welfare.

Another area that I am very excited about is that States have the ability to continue to have some flexibility to tailor programs in the various parts of our country to the specific needs of their people, and to try out new ideas. I think that what has fueled a lot of the progress that we have made to date is the opportunity for

States to have some flexibility. A lot of the good things that are happening in the welfare system today are due to the Federal Government's recent willingness to give the States enough leeway to experiment with different ways of doing things. The job program that I worked on in Illinois called Project Chance helped place some 37,000 people last year, and that would not have been in existence, or possible, if through OBRA you had not given us the opportunity to change some of the rules.

Whatever final form this legislation takes, it is going to be a vast improvement over what we have today. But society is changing every day, and our welfare system I think has to have the ability to change with it, and that means we need room in the new law for innovation and creativity at the local and State level.

Thank you very much.

Chairman FORD. Thank you.

Mr. Perales.

STATEMENT OF CESAR A. PERALES, COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. PERALES. Mr. Ford, thank you for the invitation and the opportunity to congratulate you, and Mr. Downey, and Mr. Matsui, for the work that the subcommittee has already done.

Let me begin, if I might, by just disagreeing slightly with one of my colleagues. Mr. Coler has argued that we might jeopardize parts of this bill if we proceed with the comprehensive approach, by including the benefit level discussion with the work requirements.

I have a different view. My view is, that if we do not do it all at once, we may very well come out with half of welfare reform, that half which basically allows us to proceed on the track of employment and training and at the same time not doing anything about the fact that there are parts of this country where the minimum benefits are basically indecent and do not provide an adequate level of support for the children in this country.

I have a written submission that goes into much greater detail, but let me just comment, first, on those things that I am particularly excited about in this bill. One of them that has not been spoken about too much is Medicaid extension.

One of the things that we have learned in New York is that one of the real disincentives for getting somebody off welfare and into a job is the fact that this parent, usually a woman, fears that she will not have health insurance that her children have come to rely on.

And most of the jobs, I am afraid, that are available for people coming off welfare, are low paying jobs that do not bring with them the appropriate package of benefits that so many of us have come to accept as a part of working, and primarily, health insurance.

It is extremely important, and let me emphasize, it is a real disincentive for getting people off welfare, and so I congratulate you with your program, that would allow us to take advantage of up to 2 years of Medicaid coverage for people who leave the welfare rolls.

Another part of your bill that I find very, very attractive is the part that talks about a full range of education and training activities, all the way to 2 years of college.

We are presently prohibited, for example, from encouraging young women to study nursing at our network of community colleges in New York.

There is a presumption that if you can go to college for 2 years—even when there are Pell grants and Bogg grants available to finance that—that you are not a full-time caretaker. Well, I think that concept does not make sense. It is really an argument to discriminate against certain types of training, and in the world we live in, you need not just a high school diploma, but, in many parts of this country, if you are going to make a living and if you are going to stay off welfare, you are going to need to develop certain skills, skills that you will need more than 6 months to acquire.

So that I would urge, as the discussion of this bill continues, that you maintain the posture that this type of technical training, is necessary. I would consider it vocational training, even if it takes place in an academic institution.

These are very, very important if we are going to keep women off welfare permanently. It is not enough to get them a low paying job that really does not provide them any security.

Let me move quickly to a couple of concerns that I have, and these concerns may very well come from my misreading the bill. I am concerned about the fact that it is not clear that we are talking about open-ended 75-percent reimbursement for employment and training activities.

I would caution, that if there is a limit, if there is a cap on the amount of money that will be available to any of the States, we are going to have some real instability.

New York State, for example, would be very, very hesitant to dramatically enlarge its program, if we would be subject to an annual cap that might vary, depending on the mood of the Congress. And so that I would hope that—while I may be misreading this—that we are truly talking about an entitlement and open-ended reimbursement at 75 percent.

Again, a question I might have in the area of child care is whether or not we are talking about 75 percent reimbursement for child care or 50 percent. Again, it may be my misreading, but it is not clear to me that we are talking about treating child care as we would treat any other employment-related expense.

I think that it is. I think most of us who are in the business of trying to get welfare mothers into jobs agree that child care is as important as transportation, that it is as important as having training programs available.

In New York, incidentally, that $175 monthly cap would raise some very serious problems. I suspect it would raise serious problems in any part of this country where we are truly focusing on improving the quality of day care.

I would like to think that what we are doing in this piece of legislation is not just enabling people to take advantage of job-training opportunities, but that we are going to do something about those children, those children that will now be cared for by another caretaker, and not the parent.

And I would like to see a movement toward more Headstart types of programs. I mean, that is one thing that we have learned in the last 20 years, is that the Headstart works. Let's take advantage of this program to basically expand that movement in this country.

There are many people who would be prepared to expand and improve on day-care opportunities if there were Federal support.

I think if we cap reimbursement at $175 a month, we are really not talking about the expansion of that type of quality of child care.

Lastly, let me say that I agree wholeheartedly with Commissioner Heintz in terms of the level of benefits. I would hope that they would not be tied to the median income of any particular State. I do not think that that makes sense, in terms of determining what it is that a family truly needs.

While I recognize that there is concern about imposing real burdens on the States to increase their level of benefits, we ought to be looking at another measurement, whether it is as we, as the public welfare administrators suggested, that there be a market basket approach in each State, but there ought to be a way of determining what it is that it costs to live in each particular State and then setting a percentage of that standard.

I think that that would be much more fair to families than to merely look at the median income in a particular State. I would be more than willing to respond to any questions that you might have at this point.

[The statement of Mr. Perales follows:]

Statement of Cesar A. Perales, Commissioner, New York State Department of Social Services

I appreciate this opportunity to congratulate you, Mr. Chairman, on the introduction of your Family Support Program legislation. You have tackled the difficult issues presented by one of the nation's most pressing problems - welfare reform - and have developed a most constructive proposal that will go far toward effecting true change. This bill along with the efforts in the Senate led by Senator Moynihan, and the interest expressed by the White House, all point to a real possibility of establishing a new program this year.

As chairman of the Employment Committee of the American Public Welfare Association's National Council of State Human Services Administrators, I am especially pleased to see how closely the employment and training provisions of the Family Support Program bill tracks the recommendations which we have developed and which have been endorsed by the Association.

I would like to comment on several provisions of the Family Support Program bill in light of these principles and related considerations. I will focus primarily on the area of employment and training, because I believe that this is properly at the heart of the current national debate on welfare reform. This bill is very broad in its scope, however, and I will touch upon some of its other aspects as well.

Employment and Training

I want to organize this part of my remarks around several key aspects of the bill: the range of employment-related activities, tailoring of services to individual clients, commitment to the hard-to-serve, and the all-important question of funding.

Range of Activities

NETWORK takes a commendably broad approach to the spectrum of activities to be provided by states. The required activities target non-job ready as well as job-ready clients. We need to provide job search assistance to ease labor market friction and help bring employers together with clients possessing the requisite skills and experience. But we cannot afford to ignore the sizable number of our clients who lack these prerequisites. NETWORK proceeds from the premise that a broad range of activities should be allowed but that a certain basic minimum should be required.

I am especially pleased to see the bill's emphasis on educational activities. High school or equivalency degree programs would have to be provided for all participants who do not have a high school degree, unless they possessed basic competencies and were not found to need further education to achieve an employment goal. Programs would also have to include remedial education, basic literacy training, instruction in English as a Second Language, and in the words of your briefing document, "specialized advanced education as appropriate." These requirements reflect the growing recognition of the direct links between educational failure and economic dependency. In America today, a high school degree is the minimum qualification for most gainful employment. Not surprisingly, last years drop-outs are this year's public assistance recipients. Half or more of our clients failed to complete high school and the education they did receive has left them woefully unprepared: median competency levels among recipients are around the sixth grade level, at the margin of literacy. The average welfare recipient can barely read, write and compute.

Requiring the finishing of high school as the presumptive first priority for clients without this degree is sound and sensible policy. The number of clients in need of this education is enormous. States are already recognizing the need to move forward in this area. In New York, local school systems and other educational agencies are now working hand in hand with local social services departments, and we are committed to strengthening these relationships. But the costs are high, and the payoffs are not immediately apparent. We need to have the federal government fully committed to supporting these efforts, and perhaps even prodding us to continue to do better.

I also note with interest the bill's reference to advanced education. New York has initiated a special venture called Operation PACE, which provides remedial education, college-level course work, special counseling and support services to enable public assistance recipients to earn two-year associate degrees at selected community colleges. We think this kind of opportunity can give clients a better, surer way to escape poverty than the traditional short-run training programs.

I also commend you for your forthright approach to the question of work experience. This program - classical "workfare" - has been for many at the heart of the welfare debate. For conservatives, the idea of requiring recipients to "sweat" for their checks seems properly connected both to the idea of obligations and to the desire to make welfare an unattractive option for the able-bodied poor. For liberals, "workfare" reeks of forced labor, exploitation, and stultifying and meaningless drudgery. For too many state and local welfare administrators, work experience has dominated employment programming, diverting resources and attention from other much-needed programs.

The truth, of course, is far more complex than the extreme views would allow. We know that, properly conceived and implemented, work experience can be of great value in providing clients much needed opportunities to acquire on-site experience, demonstrate their capabilities and secure a supervisor's job reference. Our CWEP demonstration and related experiences have shown that the program works only in carefully-controlled circumstances, not when work experience is imposed as a universal requirement. Special efforts must be made to assure that assignments are not in "make-work" situations of unlimited duration. Supervisors must be explicitly responsible for helping the client acquire the skills, experience and credentials that will lead to unsubsidized employment.

The developmental and positive aims of a properly-designed work experience program are incorporated in your bill. I urge you to stand by these principles as this bill moves through the legislative process, in order that we may wind up with a work experience program that enhances rather than diminishes the dignity of clients while providing social and fiscal benefits by helping clients become productive members of the work force.

I note also the inclusion of work supplementation in your bill. As you may know, New York has been operating grant diversion programs since 1981 for our general assistance clients and since January 1985 under a federal waiver for AFDC. Our program, called TEAP, has been highly successful, serving more than 3,000 clients in subsidized on-the-job training in the last year alone. We have found some serious problems in the current work supplementation statute, in particular the language which requires dual financial eligibility determinations for any state that, like New York, has increased its public assistance grants since 1981. It appears that the language your draft bill moves in the right direction. However, since we only received the bill a few days ago, I would like to defer comment until we can be more specific.

Individualizing Services

The NETWORK bill proceeds from a recognition that our clients have different needs, aspirations, abilities and life situations. The only sensible way to address the client is therefore on an individualized basis. The initial sequence of assessment, employability plan, and opportunity contract with careful case management is one that we are beginning to employ successfully in New York, and with great success. The aim, of course, is to make our clients full partners in the process of achieving independence. Through the recognition that our clients are independent adults, who have strengths and are capable of managing their own lives, local districts are turning to "opportunity contracts" as a means of clarifying and specifying mutual responsibilities. The agency agrees to provide an individually-tailored package of services in exchange for the client's commitment to do what is necessary to make those services effective: participating in training, pursue job leads, and so on. The client's road to independence lies through an increasing assumption of responsibility, supported by the agency's commitment to furnish the tools necessary for independence.

I would hope that we would aspire to providing at least the initial stages of this sequence--individualized assessment and employability development planning--for all employables as well as volunteers and specific target groups, such as parents of young children. Whatever the limitations of program resources, each client deserves a serious discussion and exploration of his or her future.

Targeting Special Groups

NETWORK recognizes that certain types of clients are likely to encounter particular difficulties in achieving independence, and that special efforts must be made if we are to avoid the high long-term costs of prolonged dependency. The bill singles out three groups for special attention:

- teen parents, and those who first became parents as teenagers;
- families with young children; and
- families that have been on assistance for two years or more.

I believe that these priorities are well chosen. We know that people in these groups are at greatest risk, but they also offer the most opportunity, the greatest return for the investments we must make. States have already begun mounting some very special efforts in this regard.

Recognizing the special needs of teenage parents, New York began a series of case management projects in 1985. Under the Teenage Services Act, or TASA, pregnant and parenting teens are provided with a broad range of services. Beyond basic necessities, especially adequate medical care, special attention is paid to helping the teenager obtain a high school degree and encouraging responsible family planning as keys to avoiding long-term dependency. Using what we have learned from these pilot projects, we are moving toward Statewide implementation next year.

Another of New York's innovation targets mothers of young children--a group who tend to stay the longest on welfare but who have been traditionally ignored by the welfare employment system. This year, we are piloting nine programs throughout the State called Comprehensive Employment Opportunity Support Centers, or CEOSCs. These centers, are operated by public agencies and non-profit organizations, provide a unique mix of education, vocational, supportive and job placement services--a type of "one-stop shopping," if you will--to these women on a voluntary basis. Our nine pilot programs will serve approximately 3,500 clients in this initial year of operation.

Again, we would welcome a strong federal commitment to efforts like these. A commitment, demonstrated through funding, would supplement efforts already underway and encourage new ones.

Funding

I am very happy to see that this bill provides enhanced federal support for employment related program expenditures. The 75 percent reimbursement rate will be a strong incentive for states to develop and conduct a full range of programs and make them available to all clients.

However, I would strongly recommend that you do not limit the amounts of money available as reimbursement under this formula. There are two reasons why I say this. First is the matter of stability: appropriation caps are recognized as being subject to adjustment from year to year. The prospect that the level of federal welfare employment funding is something that must be debated and determined anew each year will dampen the enthusiasm with which we proceed in putting our own programmatic and administrative changes in place. States need to be able to rely on the federal commitment continuing; we cannot be made to fear that we might initiate important steps forward, only to have the rug pulled out from under us. Second is the matter of fairness to clients: the allocation of scarce resources - as the bill does with it discussion of priorities - means that some clients will wind up without service. Just because we see greater cost effectiveness in serving certain clients rather than others does not at all change the fact that this is very unfair to those who are too far down the list for us to reach. They, too, deserve our help and the chance to improve their prospects. A woman with two school-age children whose husband has just left her may be in just as urgent a need of job training and placement assistance as a teen parent. A client in rural Utah - or upstate New York, for that matter - is just as deserving of our attentions as one in the heart of New York City, even if geographical remoteness makes it hard for us to provide service. The only way to overcome this problem of inherent unfairness to those who are "too far down the service queue" is to assure that sufficient resources are available to serve all who can benefit.

Additional Provisions

I should now like to touch on several other provisions of the bill. This review is not intended to be comprehensive, but only to highlight a few key items in the proposal.

Day Care. For clients with children, child care is as esential a part of the employability development package that we provide as are skills training, education, and job placement assistance. Day care needs to be recognized as integral to employment programming not ancillary or marginal.

The day care provisions of this bill are a great improvement over current law, both in raising the reimbursement ceiling and in establishing transitional assistance for clients leaving the rolls. Reading the bill, however, raises in our minds the question whether day care and other training-related costs will be reimbursed at the 75 percent level applicable to education, training and similar activities, or at the 50 percent level governing Family Support Program benefits in general. It is vitally important that the enhanced rate apply to all employment-related costs, not just training and placement services.

Earnings Incentives. We welcome the increases in the earned income disregards. The $100 per month plus 25 percent of remaining earnings, and the fact that these disregards are not limited to a few months as under present law, will provide stronger incentives for clients and avoid the reduction in net household income that now occurs after 4 months of employment. This change will also ease administrative problems and remove a potential source of case-processing errors.

Medical Assistance Extension

Far too many of the jobs available to our clients do not carry health insurance coverage. It is perfectly reasonable for parents to be very reluctant to take a job if it means the loss of health insurance coverage. In New York, we have stretched current authority to the limit, and provide extended mediciad coverage, where necessary, for up to 15 months for clients leaving the public assistance rolls for employment.

We recognize that even 15 months is often insufficient, however, therefore welcome the bill's extension of medicaid coverage to a total of 24 months. I would also urge you to explore other creative options for permanent ongoing coverage, including buy-in authority utilizing sliding scale, for similar cost sharing mechanisms, for low-income working individuals and families.

Benefit Levels

Part of the "problem" of welfare is that, even with public assistance, clients are left with income far below the poverty level. Requiring states to move toward a reasonable standard of assistance is sensible. I would urge you, however, to adopt the family living standard concept as developed by APWA rather than benefit levels to a standard related to median income. The APWA approach focus on the local cost of a standard market basket of necessities. The median income approach, by contrast would punish children who live in low-income states, since median income bears no particular relationship to what low-income families need to survive.

I also commend you for providing an offset to the loss of Food Stamps that occurs when public assistance benefits are raised. I would hope that you would extend this relief to cover all increases, and not just those needed to bring grant levels up to the required minimum. I hope that the Advisory Group on Food Stamp Policy that your bill would create will address this problem along with trying to reconcile the host of inconsistencies and conflicts between Food Stamps and public assistance.

Conclusion

For a long time now, it has been clear that the federal AFDC system is based on concepts woefully out of step with the time. Assuredly, back in the mid-1930's, when AFDC was created, it was based on the fact that most female-headed households were those of widows who were not expected to work to support their families any more than other women of the era.

Today, we are facing new realities. There are female-headed families where the absent parent does not contribute toward the well-being of the children. A high percentage of women, even those with young children commonly work outside the home to support their families. There are welfare recipients who remain on AFDC for short periods and those who tend to be long-term dependent, again, often women with young children. These realities point to a need for a comprehensive strategy for providing the basic education and training necessary to prepare welfare recipients for the productive employment which will eliminate their need to be dependent on welfare.

This bill is a giant step in the right direction. It would incorporate, support and provide the necessary enhancement of many things that have proven to be effective in New York and in other states. The programs I have described to you today. are helping more people find jobs than ever before. Our local social services districts and their allied agencies reported a total of nearly 54,000 unsubsidized jobs secured by public assistance recipients during the past year. The number of job placements by the districts is now more than 70 percent higher than before introduction of what we call our Comprehensive Employment Program in 1984.

In addition, we continue to move forward to develop new proposals. Several of the most exciting of these are outlined in a report presented to Governor Cuomo last year by his Task Force on Poverty and Welfare. Entitled A New Social Contract: Rethinking the Nature and Purpose of Public Assistance. This report outlines a strategy for welfare reform that in many respects is consistent with what you are proposing. Included is an alternative to AFDC that would utilize a combination of child support payments from absent parents and the earnings of custodial parents, supplemented where necessary by publicly-provided benefits, to help people who are trying to help themselves be better off than those who are making no such efforts. The program which we hope to demonstrate is called the Child Support Supplement Program.

For more than a decade, we have been searching for a new national welfare policy. The debate has often been bitter, for at stake is nothing less than human potential. Attempts at wholesale overhaul of our welfare system have been unsuccessful. But a series of more specific initiatives, emanating largely from states, but in many instances undertaken with federal encouragement and support, have provided us with a body of experience. Your bill, Mr. Chairman, reflects most of this experience and puts it into a form to be used as a basis for broad, national policy.

Chairman **Ford**. Mr. Downey.

Mr. **Downey**. Thank you, Mr. Chairman.

First of all, I want to thank the members of the panel for their helpful testimony, and in particular, Commissioner Heintz with the family living standard which we probably should go back and take a look at. I think it makes sense. Commissioner Perales made the same point.

Commissioner Perales, let me ask you about an amendment that I am going to introduce for our State, that talks about a child-support supplemental program, a demonstration project, so that you could explain it to Mr. Matsui and Mr. Ford.

I have been through it, I think I can understand it, but I would prefer to have you explain what our State wants to do than have my translation of what we want to do.

Mr. **Perales**. I would love to do it. We are very excited about the possibility of more closely linking the child support program to a benefit level for families. It is a program obviously that would work for only some families, but there are, among our welfare population, a number of families that do have child support orders, that are being paid regularly by fathers.

And we would like to set a minimum benefit level for families, depending on family size, and basically guarantee the child support. We are getting much better at collecting child support through wage deductions, for example, through interception of income tax returns. So that New York State would be willing to say to a woman with two children: we will guarantee you, let's say, $4,000 of child support. We will collect it, we will send it to you, and we will try to collect as much of that as we can from the absent parent.

You, in turn, if you accept that deal, you go off public assistance, and you go out and get a part-time job, or earn as much as you can.

We think that there would be a percentage of women who would be willing to accept that deal, and that we would take on the responsibility of collecting child support. Granted, the majority of the women on public assistance may not want to take this offer and may prefer to remain on public assistance, particularly if we get the type of welfare reform we are talking about.

But I think there will always be some women who will say, if you could guarantee me child support, I would go out there and figure out a way to earn some money so that I would as well off, if not better off, than if I were on public assistance.

It is something that we would like to demonstrate, it is an experiment we would like to try, and we would like, of course, the Federal Government to participate with us in that gamble.

That is, a 50-percent reimbursement for those guaranteed child support payments. We think in most cases we would be able to collect the vast bulk of the child support payments that these women are entitled to. In some instances, we might have to supplement them.

For example, we might be only able to collect $2,500 and may have guaranteed $4,000, but of that $1,500 governmental addition to the support payments, we would like the Federal Government to share with it, just as they share with us in the AFDC program.

We think it is an important experiment, that if it works, could be tried in other parts of the country. We think that we could get a substantial portion, a significant percentage of women on AFDC to opt for a guaranteed child support program. We think it is a pretty simple concept and we would like to try it.

Mr. **Downey**. Commissioner, the first question my colleagues are going to ask me is, how much is such a demonstration program going to cost, and, if I understand this correctly we are talking about the normal AFDC amount that would come to our State, which would be used in this pool?

Mr. **Perales**. Yes, exactly. We would not want anything more than what we are getting now for these families. We think we could immediately show a savings. So that the chances are, that within the limits of that demonstration, we might even be able to save some money immediately to the Federal Government, but we would be willing to accept a capped amount equal to what we would be spending in the AFDC program.

Chairman **Ford**. Will you yield, Mr. Downey.

Mr. **Downey**. Of course, Mr. Chairman.

Chairman **Ford**. Commissioner, are you saying that the recipient would come off of the welfare rolls while participating in this program but still be eligible for a match?

Mr. **Perales**. That is right. We would say we are taking *x* number of people off the AFDC rolls, this is how much money these people would be costing us, the caretaker and the children. We are saying that we are going to try this experiment. We think that the expenditure levels will be less than that, and that there would be immediate savings both to the State and to the Federal Government for that percentage, whether it be 5 or 10 percent of the welfare rolls.

And we would try to concentrate the demonstration in a number of New York State counties, so that we would know exactly what pool of money we are talking about.

Chairman **Ford**. If the demonstration is put in place, would the participants in the demonstration program qualify and be eligible for the other benefits under the new program, for example, Medicaid?

Mr. **Perales**. Yes. We think it is necessary to maintain all of the other benefits.

Chairman **Ford**. Now how would the State of New York participate in this demonstration? At what level?

Mr. **Perales**. We would continue our current 50.

Chairman **Ford**. Your current 50?

Mr. **Perales**. Yes. We think everybody will save money. The big question obviously is how many women would be willing to participate. There is also a big question as to how well we could collect child support.

Obviously, if we have got a lot of women participating, and we fail at getting child support, we would be putting up most of that money and not the absent parent; but we are optimistic that we can make something like this work.

Chairman **Ford**. What about the State of Wisconsin? They are demonstrating a similar——

Mr. **Perales**. They are trying a similar one. I think the difference is that theirs is a little more complicated. They are talking about supplementing wages. We are looking at a very simple approach.

We are saying, let us set a minimum benefit level, let us guarantee it, and let the woman herself make the determination that she is going to go out and earn enough money, so that she would rather be in that situation than be on public assistance.

I suspect that the hassle of being on public assistance is enough of an incentive to get many women to go out with a guaranteed child support, and she will say, "I'll wait on tables, I'll do anything", and avoid the month-to-month recertifications and all of the other hassles that go along with our current program.

But it is something we ought to demonstrate, it is something we ought to try, and the position of New York State is that we will guarantee it will not cost the Federal Government any more money than it is currently expending on the people that we would want to try it with.

Chairman **Ford**. Thank you, Mr. Downey.

Mr. **Downey**. Thank you, Mr. Chairman.

I want to thank you, Commissioner. We need to talk a little later about whether Suffolk will be one of the demonstration counties, but I am intrigued by the idea, and I would, you know, in advance warn my colleagues that I will introduce this amendment and I would ask for your support. It will be, not in the finest keeping of what the administration wants, which is demonstration projects, but also in finer keeping with what we want to do, which is help people and put them to work, and also save money at the same time, if possible.

I want to just ask Mr. Heintz this question about the family living standard.

I think you have laid out for us a very intriguing idea, that if we cannot do it the first year, that maybe we have somebody like the National Academy of Sciences go through it, and this would replace, basically, AFDC payments? We would call them something else?

Mr. **Heintz**. We are suggesting that once the family living standard is calculated in each State, that after the assessment of family resources is conducted, that the gap is made up with something called the family living standard supplement.

It is very similar to the chairman's language about a family support supplement, but it is calculated based on this survey of the actual costs of living.

Mr. **Downey**. I have no further questions, Mr. Chairman.

Chairman **Ford**. Mr. Matsui.

Mr. **Matsui**. Thank you. I would like to thank all three members of the panel, as well, for their testimony today.

I would like to ask Mr. Coler a question. I want to make sure I understand the written, as well as the verbal part of your testimony.

Are you saying that the family support level provisions are going to be a problem for Florida?

Mr. **Coler**. Yes.

Mr. **Matsui**. In terms of the fact that it would require the State to provide more of its resources to the public assistance area, is that correct?

Mr. **Coler**. We are talking about tremendous increases in State outlay to finance it.

Mr. **Matsui**. Now do you feel that the work, training, education and job placement provisions are really sufficient in terms of the welfare reform package itself?

Mr. **Coler**. As they are currently constituted in 1720?

Mr. **Matsui**. Yes. As defined in the legislation.

Mr. **Coler**. I think that they for the most part are, yes.

Mr. **Matsui**. In other words, you feel that this is going to be a tremendous boon; get a lot of people off of welfare; a major reduction in the welfare rolls, more people having more to eat, and whatnot?

Mr. **Coler**. Oh, I think a great deal of that depends on the ability of States to reconfigure the work force that currently administers the welfare program. We are talking about teaching tens of thousands of employees in our departments all across the country to do something that they have never done before, and that is to become effective and efficient employment agencies for people who are on welfare, and to get in the business of economic development. Because without that, no amount of education or training is ever going to result in the bottom line that will drive the success, or failure, of this program, and that is job placement ratio and how much it costs.

Being involved in that enterprise has, you know, really been very new to us. We got the opportunity to get into it in a much bigger and better way with the flexibility provisions of OBRA. But you have to hire workers who have different sets of skills.

An eligibility worker who is used to going through those 40 to 50 pages of eligibility requirements for Food Stamps and AFDC does not necessarily know a thing about assessing someone's employability status, and what particular part of your sequence of program options that person ought to opt into. That is going to take some time.

We need to be very realistic about what the retooling of America's welfare system is going to take in terms of training, obtaining the manpower to be able to succeed at that, the importance of social service departments being able to relate very effectively with their State labor departments and with the Job Training Partnership Act program.

Now you have got to start stretching this job placement and economic development activity across what, in most States, are department borders. That is difficult. It really takes a very keen investment on the part of the Governor, I think, of any particular State, to have much chance at really accomplishing this.

Unless you tie in the economic development funds that are available to a State with this effort, you are not going to get very far unless you depend on Government-subsidized jobs to place the people in, and that collapses quickly, as we have experienced in the past with many of our previous efforts on training.

That part of it really needs a lot of examination and consideration. Without the staff, able to do this very important part of the case management, we just are not going to have much chance at success. That was appropriately emphasized in the "Matter Of Choice" report produced by the committee on which I had the pleasure of serving with my colleague, Commissioner Heintz.

What we are going to have is another experience where we build expectations. The immediate results are not there for the American public to see and to justify the increased expenditures. We do not want to have that occur again.

We have had enough of raising expectations and then having people very discouraged with the results of trying to attack these tremendously complicated problems of entrenched poverty in our country.

Mr. **Matsui.** I think you raise a very important point. We certainly do not want to oversell the work training provisions, especially in view of what you said in terms of how the State would have to shift its emphasis to training, and get people that are capable of placing people in those positions.

Mr. **Coler.** And it is not just emphasizing training, Congressman. It is being able to figure out where there is labor demand.

Mr. **Matsui.** Yes.

Mr. **Coler.** It does absolutely no good to have a training program if there is no demand. So, in Illinois, we really started working hard at understanding how do you figure out what labor demand is. Some of the industrial training programs we developed were highly specialized, somewhat expensive.

One in particular, for example, was to teach people how to operate some type of die machine. We placed about 98 percent of those people; it cost about $6,000 to $8,000 to train them, but the placement rate was tremendous.

We opened up a windowshade factory in Cabrini Green with the city of Chicago getting some of the employment money together. We used to buy all the windowshades from Kentucky, but we got people who had been on welfare for long periods of time to operate this factory, and they are going to end up owning it.

But again, that took going across Government jurisdiction lines, getting economic development and Project Chance working together. We did the same in nursing homes, which the Representative mentioned earlier.

One of our biggest programs in Illinois was to train welfare recipients to be nurses' aides, a big problem in nursing homes because they turn over so quickly. There we had some opportunity to impact what nurses aides would be trained because every State has a lot of impact on the long-term care industry because of the reimbursement mechanism.

But, as I say, we were all struggling to learn how to do it. I went to Massachusetts, went to California, and learned a lot, you know, from all of the other States who were having innovative ideas in this area. We still have a very long way to go, and my biggest concern is how we are going to recruit that new labor force who will be good case managers.

Mr. **Matsui.** You are basically saying that a good part of your energy then will be placed in trying to set up the training and placement program. As a result, you will not have the resources available to deal with the 5-year phase-in of the family support level. Is that what you are saying?

Or are you saying that you just do not want to deal with the family support level as it would cost too much money?

Mr. **Coler**. I am saying that I think that mixing these two issues—regardless of how poor, how terrible we feel various payment levels are in other States—it seems to me that the issues of reforming welfare, as it currently exists, and the payment standard, are two different things. But they certainly are linked.

All I am saying is, I would hate to see this bill not be able to go forward because it gets caught in——

Mr. **Matsui**. Let me interrupt you for a minute, because I find there really is a link, and this is where perhaps we disagree. I would like you to correct my understanding, if you find it to be wrong.

What I see to be one of the problems is that, in some areas, the level of subsistence is too low. I think that the gentleman from New York suggested that the level is indecent in some areas. Mr. Corman made the same statement.

How could you get a family in that situation to even think about education, training, and work, when the level is indecent? Can we expect them to consider education and training when the support level is so insufficient that they are thinking about where they will get their next meal?

Is that not a problem, and is that not why we really have to deal with the family support side of the equation?

Mr. **Coler**. I am not so sure that just because a payment is lower than perhaps we think it ought to be, someone would not avail themselves of an opportunity to get a job. In fact there are some studies that suggest the exact opposite, that the higher the welfare payment is—there was a study by Vetter & Price, and it said that some of the States that have the highest welfare payments have got the largest increases in child poverty because more people choose dependence before going to jobs. I am not saying I necessarily buy that.

All I am saying is, there is a lot of academic discussion out there about the exact opposite, about the impact of the higher the welfare benefit, the more difficult it is to get someone to take a first step on the economic ladder in a minimum wage job.

Mr. **Matsui**. No one is suggesting providing Cadillac treatment. We are just saying a minimum benefit level. I think we are even talking about a study by the National Academy of Sciences, although that is not in Mr. Ford's bill, to make sure that the level is adequate; not at a level that would want somebody to stay on welfare.

Just an adequate, decent level, so that they are thinking about finding a job rather than thinking about where they are going to get their next meal. I cannot see why that would be a real problem. I understand your monetary constraints, but, at the same time, it seems to me that both of these have to go together. Otherwise, it just will not work.

Mr. **Coler**. I do not mean to be argumentative, but I am not so sure—I mean, welfare reform is going forward now with the flexibility that the States have. Many different States have different levels—in Illinois, where the reimbursement rate is the 26th in the country, right about in the middle, and it is going forward in States that have higher. So I am not so sure that saying the level of the welfare benefit is what makes it possible to go forward with job, training, and placement activities.

And that is not to argue with the legitimacy of a concern for that issue.

Mr. **Downey**. Will the Gentleman yield.

Mr. **Matsui**. I will yield to Mr. Downey.

Mr. **Downey**. Thank you. Mr. Coler, I am not sure that the point you are making—well, I want to distinguish between a substantive point you are making and a political one.

Is it just your concern that the politics is such that we might not be able to do both? It is not that we should not do both?

Mr. **Coler**. That is correct, and, over time, I think that most people would agree. I certainly feel the most important part is that States have the AFDC unemployed.

In terms of everything we have talked about from a programmatic standpoint, I think that would be the first priority for me and a lot of my colleagues of what would make sense for welfare reform. When you are asking States to come forward immediately with huge, huge increases in State expenditures, I think the suggestion to take a little longer look at that, and figure out some way it could be financed with, perhaps, some of the savings that would come from welfare reform, might be worthy of consideration.

I think there was some discussion from the National Governors' Association along those lines.

Mr. **Matsui**. I would like to ask Mr. Heintz for his comments in this area.

Mr. **Heintz**. Thank you, Mr. Matsui. Secretary Coler and I agree on most things, and, in essence, I think we agree on this as well.

I would stress it a little bit differently, though. It seems to me—and I would remake the point—that welfare reform really means a look at those things that are going to help families live a more decent life today, and give them hope for an even better life in the future.

And unless we begin phasing in all the changes simultaneously, we will not have accomplished that, and I think Greg is absolutely right when he suggests that the retooling of the welfare system itself, the way that our agencies operate, is an enormous undertaking that will not be accomplished overnight.

These changes are revolutionary in nature, but they must, out of necessity, be evolutionary in the way we implement them. I would say the same is true of the benefits.

That there is no reason to wait for phasing in a more rational, a more humane approach to benefits, while we are also phasing in a more comprehensive and more successful approach to employment and training.

The two must go together to bring relief now to suffering children and families, and, over time, to give them a much better chance at the future.

Mr. **Perales**. Can I add a point?

Mr. **Matsui**. Yes.

Mr. PERALES. As optimistic as I am about the success of the employment and training efforts, I think there will be children who will continue to be dependent on Government support, and I think that that is the issue.

I think that when we are talking about welfare reform, I think it would be silly of us to assume that everyone is going out and getting a job.

There are some people who, through no fault of their own, will not be a part of our economy, and we have an obligation, it seems to me, as a civilized society, to maintain them at an adequate level.

And I think that in the discussion of welfare reform, I think people often forget, that we are not going to get everybody off welfare, and that we are going to have to support some people, and the question is, at what level are we going to support them?

Mr. MATSUI. Thank you. I yield.

Chairman FORD. Mr. Downey.

Mr. DOWNEY. That was the point, thank you, Commissioner, for making that. I just wanted to talk with Mr. Coler about this. The fact is that I am very sensitive to what you are saying about the politics of this, and we have given this a lot of thought, and certainly, from your perspective, having been out there, and one of the foot soldiers in dealing with this, that you see a chance for something exciting to happen and you do not want to dismiss it.

But there is another aspect to it, and that is, without unduly moralizing here, there are a lot of people who are never going to be working, and they have benefits, as far as I can tell, in some parts of this country, that are absurd, that are not livable.

And even if it costs us a little bit of money to improve them, that is really a requirement as far as I am concerned, that we not just think—and I know many of our colleagues think that they are all going to be working, and in a few years we are not going to have AFDC payments. That is crazy, and that is not true.

I am a little concerned, that a part of this process that we are going through now is overselling something, and you have also laid that out. I mean, you know, all of a sudden the case worker is going to be a job placement officer, a retrainer extraordinaire. You know, in my State, a lot of those folks, they are never going to work, and I do not want to see them suffering anymore.

I would prefer to try and help them as much as I can, so that they can live a life of some dignity, and that is what we get at here.

I would like Mr. Coler to comment on that just for a minute, this aspect of it.

I mean, you do not have any problem with the fact that there are a lot of people on welfare who are never working, who are never going to work?

Mr. COLER. No, I believe there certainly will be some that will not. All I am suggesting is that this issue of a minimum standard for welfare is not a new one in this town; it has been around for a long time and has been in every bill, going back to the one that Congressman Corman discussed earlier, H.R. 1, and nothing has ever come out of that, politically.

I think that if this bill overstretches the congressional mandate to tell State legislatures what is humane, what is right, given their prerogatives—that has been a tremendous sticking point in the past. All I am suggesting, really, I would hope, more in concert with my two colleagues than against them, is that some concern and consideration be given of how to think of financing increases in States' welfare programs based on the success of our efforts here.

Mr. Downey. Oh, I have a plan that no one likes, but I have a plan that will pay for it. I mean, if UDAG and transportation grants would go to finance a better welfare program——

Mr. Coler. I think an increased Federal share, or some incentives to States to perform would be useful.

On the economic development side, the Federal Government could go a lot to help us create job opportunities when projects go out to the States, and they are going to provide a lot of employment opportunities, it would be good to say some of these need to go to the State welfare reform programs.

Then when a dam gets built, a road gets built, the States have a responsibility to get a work force ready to do the entry-level or skilled jobs that could be associated with that. If we do not do that over the long-run, I think we are going to have a very difficult time having success with this program, because a real job placement in a nonsubsidized environment is not easy to come by.

Mr. Downey. I would just make one other point. I mean, the chairman pointed out, that in today's Washington Post there is an article about a study underway to aid the elderly poor, and it always strikes me as amazing, that the current rate for a single person, an elderly, poor, in SSI, is $340 a month, and for a couple it is $510 a month.

There is absolutely no problem, if you are elderly, aged, and if you are aged, blind, or disabled, for getting a minimum benefit. It only becomes a problem when you are a woman, or a child. I mean, it is really ludicrous if you think about it.

I mean, this level of morality that we impose on women and children, but not on the aged, blind and disabled. I mean, it is bizarre.

Mr. Heintz. Could I offer another comment in the political realm about this discussion, because I think it is absolutely critical.

It seems to me that the politics of the issue have changed. Four years ago, I doubt that you would have found the State welfare administrators before you, suggesting mandatory work requirements, and a much more rigorous approach to discipline that we are going to expect of a welfare recipient.

On the other hand, we are still suggesting that you cannot do that unless you couple it with increases in the quality of their lives at the same time.

And I think that political equation is much different than the fight liberals and conservatives had 4 or 8, or 10 years ago. And we should not lose sight of that, and I think that Representative Corman made a very good point, that the bill that comes out of this committee will be the best bill that the Congress will see, and it is important that we work together, with you, to make that the very best bill because we are going to have to defend it in the full committee, on the floor, and in the U.S. Senate.

Mr. Downey. The fun part is writing it; the tough part is implementing it.

Mr. HEINTZ. Exactly.

Mr. MATSUI. If I may just reclaim my time, I think what Mr. Heintz said is absolutely correct.

Just even 2 years ago, if you would have heard members of this subcommittee talking about mandatory training and work for women who have children 3 and over, we would have said that would not be possible. But I would just tell you, Mr. Coler, another political problem. If you do not have a benefit structure that at least tries to reach some minimum level, based upon a study, or otherwise, you probably will not have many Members on the floor supporting a package that has a mandatory training work requirement.

This is a very tenuous bill. If you lose one you may lose the other. So, for that reason, I hope that many of you will take a second look at the situation because we are going to need strong support from your organization if we want to get any bill through this time around.

Chairman FORD. Thank you.

Mr. Coler, you mentioned earlier, in response to one of the questions from one of my colleagues, the improvement of the benefit levels versus the unemployed parent or the two-parent family, and you prioritized and said that we might have a look at the intact family or the two-parent family as a priority over the improvement of the benefit levels.

Do you think that this will help keep families together, if we mandated the unemployed parent part of this bill?

Mr. COLER. Certainly that program has that impact, yes, although I think the great majority of the hardest core on welfare are women and children alone. But certainly, without that provision, I think it is difficult to sustain a lot of the other arguments about welfare reform. It would certainly be my recommendation of what to do first, in terms of improving State welfare payments.

Chairman FORD. On the benefit improvements, the National Governors' Association suggested to phase it in over a period of time.

Your Governor was the only Governor that dissented, out of the Governors who met. You can correct me if I am wrong but I——

Mr. COLER. I think it was the Governor of Wisconsin who dissented.

Chairman FORD. It was not the Governor of Florida?

Mr. COLER. No.

Chairman FORD. Well, I stand corrected on it. But the State of Florida, and other States who might raise concerns about the improved benefits—is that we phase the improved benefits in over a 5- or 6-year period.

We would hope that the network program would have had time to work. States will have about 2 years to plug into the network program.

We tried to time it, so that States would see the savings, and, at the same time, if the Federal Government would also come back over that 5-year period, and reduce by 30 percent the States' share of the benefit payments.

And we thought over a 5-year period, the States would have started realizing some of the savings from the network program, and it would sort of wash out from those States at that time. But, you know, we went on to put it as a part of this bill rather than phasing it in over a 10-year period. We certainly did not want to wait too long before we try to increase the benefit payments.

We know that there are 18 States that have low-benefit payments. It is the intent of this committee to look very carefully at this area, and, hopefully, we can agree on some benefit changes. There are some who have suggested, and Mr. Downey is one—and others—that we increase it even beyond 15 percent of the median income.

I, too, agree, that we want those who are able to work to move into a work, education and training program, but at the same time, we might as well recognize, early on, that all of the welfare recipients will not be placed in a work, education and training program simply because they will not be able to work, and benefit levels will be in fact needed.

With that, I will close. I guess I did not have a real question, but if the commissioner of Connecticut would just give me a response to one question: what is really needed in the areas of education, training, and work experience, to eventually get jobs for those who are dependent upon the system, to become self-sufficient?

What else do we need in this area?

Mr. HEINTZ. I think the key think is that the jobs of the future—and Greg is right—we are only recently, as welfare agencies, becoming more sophisticated in our analysis of labor market trends, which really must drive the development of job training programs.

And what we are seeing, in Connecticut, at least, and I think throughout the Northeast, and sooner or later across the country, is that the level of jobs, even at the entry level, require significantly different kinds of skills and abilities than the entry-level jobs of even 10 years ago.

I mean, even to work behind the register in a fast-food place requires interpersonal skills and communication skills at a different level than the kinds of skills that were required to work with your hands in a machine shop for 8 hours a day.

And we need people who can think, who can interact, who can communicate, who can compute, and ultimately, who are really literate members of our society.

So that is why we are finding that the longer term jobs, the jobs that have growth potential over time, are those jobs that really rely on cognitive skills, and the kinds of things that you need basic education for.

So in Connecticut—and our economy is perhaps leading the nation in some ways—we are finding that we are putting a greater emphasis on education, getting people up to the high school level and beyond, giving them those kinds of skills that are required for the jobs that we know are going to grow in the future, and not for the jobs that are evaporating.

So that is why we would suggest a real strong emphasis on education, on remediation, and then on job skills training and job search.

Chairman FORD. How long do you think it would take before we would see some of the savings in a network program?

Mr. HEINTZ. Oh, I think that you are right, Mr. Chairman, that you would start to see savings within the first year of its implementation.

Certainly, the States that have implemented WIN demonstration programs, which are not dissimilar to what you are proposing, saw savings right away.

Connecticut's own job connection program is a WIN demo, and in the first year of that program, in a small State, we were able to help 5,500 women move into jobs, for a net decrease in the AFDC rolls of over 2,500, including people coming on the rolls while others were going off.

And it is because of that intensive ability to plan a program that meets the individual needs of a person, and their particular background, and the infusion of additional dollars for support services like day care, and transportation, and dealing with the issues—as Commissioner Perales said, of medical benefits—that you can really help people become able to compete in the marketplace, and become stable members of the work force, and change jobs as jobs change over time.

Chairman FORD. Commissioner Perales, what do you anticipate with the network program? When will some of the savings start trickling in?

Mr. PERALES. Oh, I think we can get savings very, very quickly. I think, again, New York's own experience, with our own emphasis in work programs over the last 2 years, we have seen a dramatic increase. I think it is combined, of course, with the economic improvement in the Northeast, and I would be deluding you if I told you it is just training people.

I think the combination of the Northeast doing better, an emphasis on the part of States toward employment training programs, we have seen large numbers of people going off the rolls.

New York has experienced 50,000 people leaving welfare in just 1 year, as a result of entering employment. That is combined general assistance and AFDC, but it is a phenomenal record for us, and I think it is clearly related to our emphasis in employment and training.

So I think that if we had more money to invest, and we could work with even more people, we would have even more significant results. Again, New York's own welfare rolls have decreased in the last couple of years, a trend that I think is counter to national trends in this country.

Chairman FORD. Mr. Coler, when you hear from two States that have already implemented work programs, do you feel that if Florida wants the network program set in place, that 2 years after being a part of the program that it will offset some of the $40 million that you talked about earlier?

Mr. COLER. I believe that it will, but I also would just caution, that it is an extremely tricky business to ascribe the movement of the welfare caseload to a single independent variable, that being a program. I think we also should exercise some caution in how we claim victory, because as has been the experience of some of the programs, when you hold it up to different kinds of analysis, it is not always a simple business to say, "Because we did this, the welfare rolls did that."

The best research that has been done by the Manpower Demonstration & Research Corporation on the WIN demos around the country shows success, but very modest success. It was, I think, around 7 to 8 percent more placements because of the program as opposed to the control groups where they had none.

Chicago was the last big urban site for that study, and the final report is not done there yet. I am going to be very interested to see what the impact is in there, especially after we accelerated the program through Project Chance.

Chairman **Ford**. So you suggest that we wait and see how the network program will——

Mr. **Coler**. No, I do not suggest that we wait and see. I just suggest that if a number of the States are asked to assume a huge financial burden immediately, it concerns me that that could perhaps compromise a very important new direction in welfare that conservatives and liberals have come to agreement on, associating welfare with work, the importance of child support collection, and the importance of welfare agencies taking on the responsibility to place people in jobs.

Chairman **Ford**. But under this bill, we would reduce the State's share by 30 percent. We would give you a 5-year period in which to bring your benefit levels up to 15 percent of the State median income.

It is not overnight that we say this to the States. We say that States must submit each year to Health and Human Services here, report to us, as to what you think those benefit levels should be, and we give you a 5-year period in which to bring those benefit levels up, and at the same time reduce your share by 30 percent.

So I know you are looking at the total dollar amount that it would cost Florida. We do not have those numbers on what it would cost States, but it is an area that, if we have a network program in place—and we try to time it in every way, to let them come together about 5 years down the road, or 3, or 4—whatever it might be for you to see some savings—and at the same time to increase your benefit levels.

Mr. Levin.

Mr. **Levin**. Mr. Chairman, I think the last discussion has been vitally important, and let me just carry it a bit further. We have heard the description of the results, the research of MDRC, and I wonder if Mr. Heintz and Mr. Perales would like to comment on that.

I know we need to avoid overselling it, but you express, really, an enthusiasm about the efficacy of linking welfare with work.

So, if you would, just put together the bottom line of the studies, both MDRC and GAL, modest but distinct, with your own experience.

Mr. **Perales**. If I might comment. One of the important things that the MDRC studies tell us, is that if the investment is made on what we would characterize as the hardest to place, your return is much greater.

And I would suggest that when you have—as we have had in lots of our employment and training programs—this creaming, this emphasis of working on those that are almost ready to enter the job market themselves, you do not derive that big a statistical difference.

But I think when you focus, as this bill would, on people who need basic educational, skills training, or people who would, and have been in the past, basically ignored in most employment and training programs, I think we will get a real return.

Again, I hesitate to oversell the program as much as anyone else, but my own experience has been that if we focus on long-term AFDC recipients, where we know that the people fitting these particular characteristics are destined to remain on the rolls for long periods of time, and we have any modicum of success, it really pays off.

And I would hope that this type of enhanced funding on the part of the Federal Government, for this type of employment and training, would encourage the States to focus on the heart of the place, and it is there that I think we will begin to see some real benefits, when you get someone off the rolls who would otherwise be destined to remain for a half dozen years, or more.

And I think certainly, our experience in New York has been, that that is where the payoff is, but I am afraid that most of the employment and training efforts in the past have sort of pushed us toward focusing on the easiest to place, if only because we have had to meet some measurements in terms of success rates, and that has pushed us toward what we call creaming, and I really do think that that does not pay off in the long-run, and I think a bill like this would allow us to do just the opposite.

Mr. HEINTZ. I would just add a few comments. I tend to agree with Commissioner Perales, and certainly, none of us would be responsible if we were here to say that we could eliminate the welfare population through an employment and training program. That is simply not going to happen.

But what I think we can do is reduce it, and I think we can shorten the length of time that people stay on welfare, and I think that is one of the other things that MDRC has found, that while the actual increase in the numbers of people leaving the roll is modest in these early demonstrations, that we are shortening the length of stay, and that is a significant element of the program's success.

And I would add a couple other points. I think that MDRC research would also demonstrate that the success of the programs is growing, that it is starting at a modest level, and that we are seeing some improvements as the programs get more sophisticated, and as the States become better at running them.

The second point is that I think we will do better than we have done under the WIN demonstration authority under a program like network, where we are focused, as Commissioner Perales has said, on the harder to serve, and where we also have the opportunity to focus on parents with younger children.

My sense is, that if we start with people right away, and start planning with them the minute they come into the welfare system, a way that they are going to be able to get out of the welfare system, that we will have even more significant success than we have had under current authority, which only allows us to promote volunteers of women whose kids are under the age of six.

And the last point that I would make is that some of the gains from education, training and employment programs will not be short-term. They are going to be more long-term. They are going to be more in the terms of setting a role model for those young children, seeing their parent participating. Seeing their parent trying to contribute more to the household in terms of getting an education, in terms of getting training, in terms of part-time jobs, whatever it is.

Seeing that kind of activity sets an incredibly powerful role model for the kids growing up in those households. Some of the welfare mothers that I have spoken with in my own State, who have participated in these programs for the first time, after years of being on welfare, talk about a profound experience, of coming home, and actually having their child proud of their activity, and proud of their effort, and that is a long-term payoff that an MDRC study cannot even begin to measure.

Mr. **Levin**. Just one quick followup question, and the sticky question of what the bill should say about not mandating a skill training opportunity, but work itself. As you leave, what final advice do you have?

Should there be flexibility left to the States on that, or should there be a straight out, in your judgment, mandating that the States require all of the participants to take a job?

Mr. **Perales**. I think there are some participants who are ready for work now, and that in those instances, I would imagine that most welfare administrators would, in essence, hook them up with a job by at least teaching them how to look for a job, by helping them with interviewing skills, and basically guiding them.

I think that there are other people who obviously are not ready for the work force, who are not job ready, and who do need some employment and training.

I have a great deal of confidence in my colleagues throughout the country, that given flexibility, they would make the right judgments.

I would not be happy with a piece of legislation that required everyone to get into job search, and everyone just look for a job, without the flexibility to provide them with employment and training. On the other hand, I think it would make no sense to require that everyone be engaged in skills development when you might already have those skills, and just might be temporarily out of the labor force.

So I think flexibility is the key, and I think having Federal support for an entire range of options as being extremely important.

Mr. **Heintz**. I think that Commissioner Perales has given essentially the same answer that I would, and I am not uncomfortable with the way this bill is drafted in those areas, in terms of allowing States, at their option, to operate community work experience programs for the duration of 12 months. I think that is an appropriate thing for States to have the ability to do.

It is not the answer in every case, and I think that welfare commissioners would also agree, that mandatory work fare does not have the kinds of results, across the board, that does a program that is comprehensive, and focuses in on meeting the actual needs of clients, and overcoming the barriers that they face to actually getting a job. And there are some tough sanctions.

You know, let's not step back from the fact that this bill, and others, that are comprehensive, include some pretty tough sanctions on families who do not meet their end of the obligation, including reductions in benefits, if in fact they are not participating in a way that seems reasonable. And I do not think that we would disagree that that is inappropriate. I think we all feel that there have to be both carrots and sticks in this process.

But to simply require that people go out and fill a job, and work the requisite number of hours, is neither going to do the system much good over the long-term, nor the family.

Mr. **Coler**. I do not have anything to add. I would agree with my colleagues.

Mr. **Levin**. Thank you very much, Mr. Chairman.

Chairman **Ford**. Thank you. Commissioner Heintz, what about the JEDI program that was reported from the Senate committee last week, or week before, that will be on the Senate floor some time this week or next week?

Are you familiar with it?

Mr. **Heintz**. I have no major problems with the JEDI program, and I generally think, that as an incremental change to the JTPA legislation, that it is a good one.

I had the opportunity to testify before Senator Kennedy's committee, and I offered two thoughts about the bill. One is, that it seems to me, that in terms of the incentive bonus payments that would be paid back to the States who are experiencing success in placing AFDC recipients in unsubsidized jobs, that the expenditure of those funds, when they are returned to the States, ought to be targeted to improving the front-end of the system, which is where we are currently experiencing the biggest problem.

Right now, in most States, certainly in my State, JTPA programs have minimum education levels at the front-end, in terms of qualifying to participate in the program.

I think in Connecticut—and I think it is fairly uniform across the country—you have to test out at something like the 8th grade level. Many of our clients obviously do not, so that they are not even eligible yet to get into a JTPA program.

So what I suggested in my testimony is that those incentive bonus payments that go back to the States be targeted, with a lot of flexibility, toward improving the feeder systems in the remedial education programs, so that even more people could participate.

Chairman **Ford**. And they are compensated for placement only?

Mr. **Heintz**. That is correct. And the second point—and it was really a technical one—was the incentive structure under the legislation, at least the version that I reviewed, would decrease over time. Over 3 years.

You would start out with a 75-percent value for incentive payments, and then, if the recipient stayed in the job for 2 years, the second year the State would get 50 percent of their AFDC payment as a bonus, and, in the third year they would get 25.

I would suggest—and I did to Senator Kennedy—that that be reversed, and that the States get the biggest bonus for people who stay in jobs the longest, because that is a measure of the quality of the employment and training work that has been done at the front end.

JTPA is a program that has had some considerable success. JEDI I think can improve it. I do not think JEDI should in any way substitute for network, or other programs of that nature.

Chairman FORD. May I get all three of you to respond to this. What about this vehicle that is moving through the Congress, should we focus the network program on State welfare agencies, or should we let the Department of Labor run the network program, or should we have joint administration?

Mr. PERALES. I think there is unanimous agreement among the panel that it should be focused with the welfare agencies.

Chairman FORD. It should be focused, you think, with the welfare agencies?

Mr. PERALES. Absolutely.

Mr. HEINTZ. Absolutely.

Mr. PERALES. I can tell you from my own experience, try as I might to work with my colleagues in the labor department in my State, for whom I have a great deal of respect, their mission is much broader. They are serving all kinds of unemployed people—displaced workers, union members, et cetera.

They cannot focus on welfare families the way that the welfare agency can, and that is why it is absolutely essential to the success of the program, that the welfare agency be in charge.

Chairman FORD. Mr. Coler, would you respond.

Mr. COLER. Well, I would certainly agree with the fact that I believe the social service agencies and the welfare department should be in charge.

But I would also go back to a point that I made earlier, that critical to the success of placement is the State and the Governor, and his welfare commissioners as well as other cabinet officers' ability to link up the priorities of those people who are job-ready with the labor department.

That has been done in Massachusetts with a lot of success. They put the labor department on a performance contract. We also did that in Illinois, and we were able to move people who were on welfare up to the front of the queue instead of the back.

The same thing with the Job Training Partnership Act. Often people on welfare are the last ones they want to deal with because of their own performance requirements. Yet, to be successful with welfare reform in a State, you must have the JTPA, people running the program in agreement with the priority of the Governor. I will never forget, when I was in Massachusetts, the thing I was impressed with the most—when I sat down with the chairman of JTPA, he said our most important priority in Massachusetts for JTPA is to get welfare people placed.

It certainly was not in Illinois, and it certainly is not in a lot of other places, and that comes from a Governor's commitment. I certainly think the welfare department should manage it for a lot of reasons that I think are very definable. I also think some attention is needed to what the economic development needs are of a successful welfare program. This might suggest some language that perhaps could be instructive to Governors about some commitment on their part to make sure that the total apparatus of State government can bring some leverage to bear on behalf of poor people so they can get placed.

Mr. Perales. Let me just agree, uncategorically, with Mr. Coler for a change.

Chairman Ford. You know, the Committee on Education and Labor has received joint referral of this title of the bill. It certainly would be nice if the commissioners throughout this country converse with their friends on Education and Labor to talk with them about it, because I think there are some questions as to who should administer the program, whether it should be HHS as well as the Department of Labor, or whether it should be just the State agencies under HHS.

The way we drafted this legislation, we certainly felt, and after hearing from the witnesses over the past 2 years, that we thought that the State agencies and the case managers, although they probably will have to be retrained in most States to administer the program, we think that the State agencies could administer the network program.

And when you have the HHS Department, and the Labor Department, both trying to administer the program, sometimes it would be very difficult.

You know, the JTPA is probably a good program, but we have not been able to reach the core group that we intended to reach when JTPA was first implemented.

We have not been able to reach that core group that we are talking about, that falls within the AFDC population, and I certainly would appreciate it, as chairman of this committee, if you would talk with your friends at the Education and Labor Committee.

Again, with that, let me thank you very much, all three of you, for coming and participating, and being witnesses on H.R. 1720. I really appreciate it.

I certainly would hope that the public welfare directors in this nation would form a task force in the next few days, that we can communicate with as we move to mark up this legislation.

We certainly would like for you to be a part of it. We may not be calling you back before the committee, but we certainly would be calling you and putting certain proposals before you, and would like you to respond before we take any final action.

Mr. Heintz. We would be delighted.

Mr. Perales. Thank you very much.

Chairman Ford. Thank you very much.

Mr. Coler. Thank you, Mr. Chairman.

Chairman Ford. We stand adjourned.

[Whereupon, at 12 noon, the subcommittee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Chairman Ford. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

We heard from several witnesses earlier this morning, and it is the intent of the subcommittee to hear from witnesses on child support enforcement this afternoon. The child support enforcement program has grown significantly since its implementation in

August 1975. From fiscal year 1979 through fiscal year 1986, more than $15 billion in child support payments have been collected. $6.2 billion on behalf of families receiving AFDC and $8.8 billion on behalf of non-AFDC families.

Although I am pleased that so much is being collected, much more needs to be done. In 1984, Congress adopted, and the President signed Public Law 98-378, the Child Support Enforcement Amendments of 1984. We expect that these amendments will improve the chances that a child who is owed child support will actually receive it. I am concerned, however, with the slow pace at which States have implemented the 1984 amendments. The purpose of today's hearing is to learn more about States' implementation status and to discuss suggestions for further amendments.

I look forward to hearing from all of the witnesses who will be testifying today, and certainly hope that it will give us an insight to move later this week in a markup session of the welfare reform package. And I am very delighted Mr. Brockmyre, who is director of the office of child support of the Michigan Department of Social Services—Mr. Harris, please forgive me. Mr. Robert Harris. You can see what kind of day it has been. This is only the first day on 1720, but it has been a real week, and the last 2 weeks we have been very, very busy. And, Mr. Harris, I want to apologize. I was looking at my witness list. But it is Mr. Robert Harris, the Associate Deputy Director of the Family Support Administration, Office of Child Support Enforcement, U.S. Department of Health and Human Services.

I am delighted, as chairperson of this committee to welcome you before the committee, and will yield to you and recognize you at this time.

I would like to say for the record that all statements and all texts will be made part of the record, and, if you wish to summarize your testimony, you are welcome to do so.

STATEMENT OF ROBERT C. HARRIS ASSOCIATE DEPUTY DIRECTOR, FAMILY SUPPORT ADMINISTRATION, OFFICE OF CHILD SUPPORT ENFORCEMENT, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. HARRIS. Thank you, Mr. Chairman.

I would like just to hit the highlights, and then insert the full statement in the record.

Mr. Chairman, a stronger child support enforcement program can rescue families from poverty, prevent welfare dependency, and reduce AFDC, food stamp and Medicaid costs. Most important, support collections can provide financial underpinnings for the healthy and secure family life that every child needs.

The Child Support Enforcement Amendments of 1984 were a response to the needs to make support of children by absent parents fairer, speedier and more certain. They were designed to move the States to dramatically increase child support collections and, after initial investment costs, assist child support agencies to do a more effective job and more efficiently.

While some State programs are not yet fully in compliance with the law, many States have made significant efforts and are implementing the enforcement practices mandated by the 1984 amendments. Thirty-three States have certified to us that they have adopted and are using all the mandatory enforcement techniques. Even with these figures, more needs to be done.

In fiscal 1986, States collected $3.2 billion from absent parents—almost $3.50 for every dollar spent on program administration. Support obligations were established in over 723,000 cases, and paternity was established in close to a quarter of a million cases. But our efforts still only scratched the surface.

While there has been improvement in States' child support programs, it has not been as dramatic as we would have expected or wished. There is a need now for a greater stimulus to improve effectiveness and efficiency.

The Department's legislative proposals will work toward that end. Our first proposal would require States to use established guidelines to set individual support awards, unless it is demonstrated that their use would lead to an inequitable outcome. A departure from the guidelines would have to be clearly documented as to why it is in the best interest of the child. Thirty States currently have some form of support guidelines; many are only advisory, however.

The proposal would also require periodic review and modification, under appropriate circumstances, of both existing orders and those established based on the guidelines. Overall, guidelines would produce higher, as well as fairer, support awards, while reducing AFDC and Medicaid costs.

Another set of proposals is aimed at moving Federal program funding more in the direction of rewarding program performance. States currently receive incentive payments of 6 percent of both AFDC and non-AFDC collections, regardless of how well they perform, or how much they spend on administration.

We are proposing that States receive incentive payments for collections on behalf of AFDC families only if they are at least 1.4 times the cost of operating the State's child support program. This will more clearly achieve the purpose of incentive financing by giving a financial reward only to those States that operate effective and efficient programs.

We also propose to accelerate the already-scheduled Federal matching rate adjustment to 66 percent from fiscal 1990 to 1988. The 66 percent matching is generous compared to the matching rate for other entitlement program administrative costs. And it will contribute to the efforts to reward effective performance instead of encouraging high administrative costs.

Finally, we are proposing to phase out enhanced, or 90-percent Federal funding for the design and development of child support enforcement computer systems, consistent with similar proposals in the AFDC, Medicaid, and food stamp programs. States will have had almost a decade in which to develop automated systems with enhanced Federal funding.

In addition to our legislative proposals, we are pressing for full working implementation of the requirements contained in the 1984 amendments. Because of specific deficiencies in areas like wage withholding and paternity establishment, we have sent notices of potential State plan disapproval to six States. Should these States not rectify the problem, the law provides for withholding Federal funding for their child support enforcement program, and for a financial penalty to be applied against the Federal share of their AFDC funds. We are directing significant efforts toward improving the linkage between State and local child support enforcement and AFDC agencies.

We are developing training materials, "best-practice" writeups and model forms for dissemination to those agencies. More creative ways to more vigorously pursue paternity establishment and other aspects of support enforcement at the very outset of the AFDC process will be demonstrated.

To build public awareness and grassroots impetus for support enforcement improvements, we are assisting States in informing the business community, organized labor and elected officials at all levels of government of State and local performance data, and information relevant to program improvement.

A central goal is to attack the chronic problem of enforcement of child support obligations across State lines.

Proposed regulations published in the Federal Register last December would clarify State responsibilities for working and paying the costs associated with interstate cases. We are reviewing comments on the proposed rule and will publish a final regulation in the spring.

Additional efforts in the interstate arena include projects to develop regional networks of States, which can access vital information concerning the absent parents, as well as transferring and tracking case information; extending the Federal Parent Locator Service to serve as a national hub linking regional networks to improve access to information, and developing comprehensive, standardized forms which will greatly facilitate communications from jurisdiction to jurisdiction.

Shortly after the Family Support Administration was created, we implemented an automated systems transfer strategy. Our objective is to transfer existing, proven automated systems wherever possible to avoid the necessity of having to reinvent the wheel in every State and speed up the automation of State and local support enforcement activities.

Finally, our regional offices are conducting 50 State program reviews focusing on implementation of the mandated enforcement techniques of the 1984 amendments, reviews that will highlight any deficiencies that need to be corrected by the States. These reviews complement our ongoing indepth program audits. In recent months, 12 States, as a result of fiscal year 1984 audit findings, and one State as a result of fiscal 1985 findings, have been notified that their programs were found not to be in substantial compliance with Federal law.

Problems were identified in case management, paternity establishment and location of absent parents, in particular.

Failure to perform in a satisfactory manner could result in financial penalties specified in the law, penalties suspended pending completion of a period for taking corrective action.

In summary, our legislative proposals, along with the other initiatives I have outlined, will accomplish the goal of increasing establishment of paternity and enforcement of child support obligations.

Thank you for this opportunity. I will be happy to answer any questions.

Chairman **Ford**. Mr. Harris, thank you very much for your testimony. When we move to a markup session in the latter part of this week and next week, and after hearing your testimony here today, you are suggesting that we make certain amendments in order under the welfare reform package.

Mr. **Harris**. Yes, sir.

Chairman **Ford**. How significant is it that we really address the child support amendments in the welfare reform bill?

Mr. **Harris**. Well, we think it is very significant to address some of the problems in child support enforcement. I think particularly in the area of guidelines for setting the amount of the support award and reviewing the guidelines, and revising the funding structure of the program to focus more on program effectiveness and efficiency rather than just the amount that is being spent on program administration.

Chairman **Ford**. You know, on page 4 of your written testimony, you indicate that your commitment to improving interstate enforcement. If that is true, why have you proposed eliminating funding for the interstate demonstration grants? I thought that this administration favored demonstrations.

Mr. **Harris**. What we are proposing in the fiscal 1988 budget is to eliminate the interstate demonstration grants effective that year. By that time, we will have——

Chairman **Ford**. What year is that?

Mr. **Harris**. Fiscal year 1988.

Chairman **Ford**. 1988.

Mr. **Harris**. Which means there would have been 3 years of funding for interstate demonstration grants. We will have spent about $34 million on demonstration grants. We have funded projects in about 40 States. In addition to the demonstration grants, we are in the final stages of publishing a regulation which completely revises the regulatory base for interstate enforcement. It will significantly strengthen interstate enforcement. And we are doing a variety of other things to deal with the interstate enforcement problem.

Mr. Chairman, I think our position is that we have adequate demonstrations with the money that has already been appropriated, and that those demonstrations plus other activities which we are undertaking address the interstate enforcement problem.

Chairman **Ford**. You are saying the demonstration will be completed at the end of this fiscal year, I guess.

Mr. **Harris**. The commitment of new funds will be completed.

Chairman **Ford**. Will be completed.

Mr. **Harris**. The projects themselves will probably run after that.

Chairman **Ford**. So you are saying we should not carry it beyond the completion of the funding?

Mr. **Harris**. That is right.

Chairman **Ford**. So, are you indicating that all of the problems will be worked out, and you already will have improved the interstate enforcement?

Mr. **Harris**. I think between what we are funding through the demonstration grants, the provisions of the 1984 amendments and the new interstate regulations, which will be going into final, we will have significantly addressed the problems of interstate enforcement. And, really, we are going to need a period of time to assess what those myriad activities will produce in the way of performance before being able to say what more needs to be done.

Chairman **Ford**. So you are saying that once the demonstration grant has run its course, you are confident there will be enough information for the interstate enforcement provision to be completed at that point?

Mr. **Harris**. Yes. I think we will be making significant progress in terms of the problems of interstate enforcement with the money that has already been appropriated, and the other activities related to interstate enforcement.

It may not solve everything, but I think we will be able to make quite significant progress, and then we are really going to have to take a look at what is left that needs to be addressed.

Chairman **Ford**. There has been some talk about the Social Security number being placed on birth certificates, the number I guess of the mother and the father. Could you comment on that as to whether or not the administration will support a move to place Social Security numbers on birth certificates?

Mr. **Harris**. Quite honestly, I cannot tell you what the administration position is. The administration is in the process of reviewing a variety of legislative proposals that have been made related to child support enforcement and welfare reform, and will be speaking on the subject or will be issuing a bill report on some of the proposals.

Chairman **Ford**. When do you think you will be issuing that report?

Mr. **Harris**. Within the next several days, I would assume.

One of the problems that has been raised on the question of the Social Security number in the past is really one of privacy, since birth certificates are public records and there is some concern about access of any individual to those numbers. The problem, basically, is one of the privacy aspects of Social Security numbers per se, separate from child support enforcement.

Chairman **Ford**. Thank you very much, Mr. Harris for making an appearance before the committee today.

Mr. **Harris**. Thank you.

Chairman **Ford**. Thank you very much for your testimony.

[Statement of Robert C. Harris follows:]

Statement of Robert C. Harris, Associate Deputy Director, Family Support Administration, Office of Child Support Enforcement, U.S. Department of Health and Human Services

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to speak with you about a critical problem which threatens family life in this country -- the failure of parents to support their children which so often results in a life of welfare dependency for those children.

Strengthening family bonds and reducing welfare dependency is a priority of Secretary Bowen and Wayne Stanton, the Director of the Child Support Enforcement program. A stronger State child support enforcement program can rescue families from poverty, prevent welfare dependency, and reduce AFDC, Food Stamp and Medicaid costs. Most important, support collections can provide financial underpinnings for the healthy and secure family life that every child needs.

The primary mission of the Child Support Enforcement program, is to help ensure that the financial needs of our nation's children are met, by assisting States in placing the primary responsibility of support where it belongs -- with the responsible parents.

Children are at financial risk because of the increasing numbers of children in this country being raised by one parent due to continued high rates of divorce, separation, and out-of-wedlock births. The AFDC program, designed in 1935 to care for women and children who had no other means of support because of the death or serious injury of a parent, has undergone a profound transformation.

The overwhelming cause of most welfare dependency today is the lack of parental support of children. Over 90 percent of families on AFDC today are there as a result of divorce, desertion, legal separation, or out-of-wedlock births. Therefore, a reassertion of the legal and moral responsibility of parents to acknowledge paternity and support their children is an essential and vital part of the solution to the welfare dependency problem.

The most recent census data shows that only 58 percent of the 8.7 million women caring for children whose fathers were absent from the home had orders for support; and of those, only about half received the full amount of child support they were due. For 1983 alone, unpaid child support totaled $3 billion, excluding arrearages owed from previous years. Moreover, average State child support award amounts have been too low and have not taken into account the true costs of raising children. It has been estimated that if all absent parents paid child support based on realistic guidelines, over $26 billion was potentially payable for 1983, two and one-half times the value of actual orders reported by the Census Bureau for that year. For these families, lack of Child Support Enforcement means a greatly reduced standard of living at best--and, with tragic frequency, it means the children grow up in long-term poverty.

The Congress demonstrated their acute awareness of the threat these statistics illustrated by unanimously passing the Child Support Enforcement Amendments of 1984. President Reagan signed these Amendments into law on August 16, 1984. These Amendments were a response to the need to make support of children by absent parents fairer, speedier, and more certain. New tools provided by the 1984 Amendments were designed to move the States to dramatically increase child support collections and, after initial investment costs, assist State and local child support agencies and prosecutors to do a more effective job, and more efficiently.

All States have enacted legislation in response to this law. While some State programs are not yet fully in compliance with the law, many States have made significant efforts and are implementing the enforcement practices mandated by the 1984 Amendments. Thirty-one States have certified to us that they have adopted and are using all the mandatory enforcement techniques. Even with these figures, more needs to be done.

In FY 1986, States collected $3.2 billion from absent parents--almost $3.50 for every $1.00 spent on program administration. Support obligations were established by State and localities in over 723,000 cases, and paternity was established in close to a quarter of a million cases. In addition, they located over one million absent parents.

These statistics do represent significant increases from the previous year, but our efforts still only scratch the surface.

While there has been improvement in States' child support programs, the improvement has not been as dramatic as we would have expected or wished. We are not yet seeing dramatic increases in collection levels or decreases in administrative expenditures. Therefore, it is time for us to work together to do more. There is a need now for a greater stimulus to improve the effectiveness and efficiency of the Child Support Enforcement program.

Our legislative proposals will work toward that end by 1) requiring State use of guidelines to set and update the amount of support orders, and 2) focusing Federal incentives of the child support program on results achieved.

Our first proposal would require States to use established guidelines to set individual support awards, unless it is demonstrated to the court, or administrative agency, that their use would lead to an inequitable outcome. A departure from the guidelines would have to be clearly documented as to why it is in the best interest of the child. Thirty States currently have some form of support guidelines; many are only advisory, however.

The proposal would also require periodic review and modification, under appropriate circumstances, of both existing orders and those established based on the guidelines. Existing support orders need to be reviewed over time to ensure that changes in circumstances have not reduced their equity for the parties involved. Overall, guidelines would produce higher, as well as fairer, support awards, while reducing State and Federal AFDC and Medicaid costs. By increasing awards, guidelines will ensure that families are better able to stay off welfare and give those on welfare a stronger incentive to combine support and earned income to leave the welfare rolls.

Another set of proposals are aimed at moving Federal program funding more in the direction of rewarding program performance. Because States currently receive incentive payments of six percent of both AFDC and non-AFDC collections, regardless of how well they perform, or how much they spend on administration, there is insufficient inducement for them to improve their programs.

We are proposing to tie the AFDC child support incentive payments to minimum levels of costs effectiveness by limiting such payments to States with a cost-effectiveness ratio of 1.4 or better. That is, States would receive incentive payments for collections on behalf of AFDC families only if they are at least 1.4 times the costs of operating the State's child support program. This will more clearly achieve the purpose of incentive financing by giving a financial reward only to those States that operate effective and efficient programs. Collections will rise and more families will be helped as States improve their cost-effectiveness ratios to qualify for incentive payments.

The proposal I described earlier, to require States to use mandatory award guidelines, will provide a key tool to States in meeting the 1.4 cost-effectiveness ratio, because mandatory guidelines will increase support collections significantly, with no increase in administrative costs.

We also propose to accelerate the already-scheduled Federal matching rate adjustment to 66 percent from FY 1990 to FY 1988. The 66 percent matching rate is generous compared to the matching rate for other entitlement program administrative costs. The accelerated adjustment in Federal matching reduces Federal costs, but more importantly, it strengthens the focus of State and local program operations on effectiveness and efficiency. More appropriate Federal matching for administrative costs will contribute to the efforts to reward effective performance instead of encouraging high program administrative costs.

Finally, we are proposing to phase out enhanced, or 90 percent, Federal funding for the design and development of child support enforcement computer systems, consistent with similar proposals in the AFDC, Medicaid, and Food Stamps programs. The Federal matching rate will be adjusted from 90 to 75 percent in FY 1988 and FY 1989 and to 66 percent by FY 1990. By that time, States will have had almost a decade in which to develop automated systems with enhanced Federal funding. A gradual reduction of the enhanced 90 percent rate will stimulate and encourage States to accelerate their systems development and installation, while affording adequate time to do so. If the rate were retained indefinitely, there would be little incentive for States to automate.

In addition to our legislative proposals, I would like to update the Committee on the many administrative actions the Department is taking to ensure that States are aggressively pursuing child support enforcement.

We are pressing the States for full working implementation of the requirements contained in the 1984 Amendments. Because of specific deficiencies in areas like wage withholding and paternity establishment, we have sent notices of potential State plan disapproval to six States. Should these States not rectify the problems, the law provides for withholding Federal funding for their child support enforcement program, and for a financial penalty to be applied against the Federal share of their AFDC funds. Secretary Bowen and Mr. Stanton are committed to taking whatever steps are necessary to see to it that all States implement the Amendments as the law requires.

With the recent formation of the Family Support Administration, we have placed renewed emphasis has been placed on improving the design of Federal assistance to support family needs. In addition to Child Support Enforcement, the Family Support Administration is responsible for those programs in the Department of Health and Human Services having the most direct impact on the family, such as AFDC and the Teenage Pregnancy Prevention Initiative.

The creation of this new organization illustrates the Secretary's and the Department's commitment to the family and recognizes the close link, the cause and effect relationship, between lack of child support and welfare dependency. By having AFDC and Child Support Enforcement in one agency, we are going to be able to further the kind of coordination between these programs that is vital to their operating successfully and purposefully.

We at FSA are directing significant efforts toward improving the linkage between State and local child support enforcement and State and local AFDC agencies. We are developing training materials, "best practice" write-ups and model forms for dissemination to those State agencies. More creative ways to vigorously pursue paternity establishment and other aspects of support enforcement at the very outset of the AFDC process will be demonstrated.

We believe that State agencies involved in child support and AFDC programs need to build public awareness and grass roots impetus for the support enforcement program improvements. We are assisting States in informing the business community, organized labor, and elected officials at all levels of government of State and local performance data and information relevant to program improvement. Mr. Stanton has spoken to many State human service agency administrators, State child support enforcement program directors, and many prosecutors, judges and other elected officials and interested persons.

One of his messages to these individuals emphasizes a central FSA goal -- to attack the chronic problem of enforcement of child support obligations across State lines -- a serious problem of the program, accounting for approximately 30 percent of the child support caseload. A child's right to support doesn't end simply because the parents live in different States. A parent cannot be allowed to escape his or her support obligation simply by moving.

We are in the midst of a number of efforts to help States solve the complex problems intrinsic to interstate paternity establishment and child support enforcement. Proposed regulations were published in the Federal Register on December 2nd to strengthen the interstate process. These requirements would clarify State responsibilities for working and paying the costs associated with interstate cases. We are reviewing comments on the proposed rule and will publish a final regulation in the early spring.

Additional efforts in the interstate arena include projects to:

1) develop regional networks of States, which can access vital information concerning the identity, location, employment, income and assets of absent parents, as well as transferring and tracking case information;

2) extend the Federal Parent Locator System to serve as a national hub linking regional networks in order to improve access to information; and

3) develop comprehensive, standardized forms which will greatly facilitate communications from jurisdiction to jurisdiction. (These forms were jointly developed with judges, prosecutors, child support agencies, and other interested parties.)

The fulcrum of any information exchange or gathering system is, of course, automation. Shortly after FSA was created, we implemented an automated systems transfer strategy to more quickly, and more economically, improve the automation of State and local support enforcement activities. Our objective is to transfer existing, proven automated systems wherever possible to avoid the necessity of having to "reinvent the wheel" in every State -- and to speed up the development of automated systems.

Finally, this fiscal year our Regional Offices will be conducting 50 State program reviews focusing on implementation of the mandated enforcement techniques of the 1984 Amendments -- reviews that will highlight any deficiencies that need to be corrected by the States. These reviews complement our ongoing, indepth program audits. In recent months, eight States have been notified that as a result of FY 1984 audit findings, their programs were found not to be in substantial compliance with Federal law. Problems were identified in case management, paternity establishment, and location of absent parents.

Five of these States have already, or are attempting to, resolve these problems through approved corrective action plans. Failure to perform in a satisfactory manner could result in financial penalties specified in the law, penalties suspended pending completion of a period for taking corrective action.

In summary, our legislative proposals, along with continued State monitoring and enforcement of the 1984 Amendments and the other initiatives I have outlined, will accomplish the goal of increasing establishment of paternity and enforcement of child support obligations while decreasing State administrative costs. And, everyone benefits from meeting the goal -- parents resume responsibility for supporting their children, families move towards self-sufficiency, and State and local governments and the Federal government save money.

Thank you for this opportunity to express our commitment and determination to improve the well-being of our nation's children.

I will be happy to answer any questions.

Chairman **Ford**. The Chair will call Mr. Brockmyre, who is director of office of child support in the Michigan Department of Social Services, and Ms. Ann Helton, executive director of the Maryland Child Support Enforcement Administration.

Mr. Brockmyre, I have called on you twice today.

We are delighted to have you, the two of you, here before the committee. And, Mr. Brockmyre, we will recognize you at this point.

STATEMENT OF JERROLD H. BROCKMYRE, DIRECTOR, OFFICE OF CHILD SUPPORT, MICHIGAN DEPARTMENT OF SOCIAL SERVICES, ON BEHALF OF THE NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION

Mr. **Brockmyre**. Thank you, Mr. Chairman.

The National Child Support Enforcement Association, on whose behalf I am appearing, thank you for this opportunity.

I am the director of the office of child support, in Michigan's Department of Social Services. We do administer title IV-D of the Social Security Act.

Congress, in 1984, unanimously passed and the President signed into law the Child Support Enforcement Amendments of 1984. Most components of that law, Public Law 98-378, were a direct result of tried and proven, at the State level, innovations in child support enforcement.

The funding formulas were negotiated to allow time for passage of State legislation, the development of methodologies for collecting support for non-ADC families, many States did not do much of that, the development of statewide systems to handle increased requirements and workloads brought about by the law and to give some direction from the special interstate enforcement project grants so the States could proceed from there.

We have not yet felt the full impact; in fact, the numbers which were 1986 numbers, fiscal year 1986 numbers, will not reflect the impact of the 1984 legislation. It will slightly. The States had to pass the laws after it was passed by the Federal Government. That took almost all of calendar year 1985, which got into fiscal year 1986, and the States' laws gave 1, 2, 3, or 4 months, or 6 months to implement once the laws were passed.

So the data from fiscal year 1986 is not going to show the impact of the 1984 legislation.

I have some particular comments here on the bill itself.

Section 501, and some of this is technical and I will skip a lot of it. Under section 501(a), it says "Automatic updating of guidelines." I think that addresses orders rather than guidelines, the automatic updating of orders.

And the next part 2, if you are going to require periodic review, which in Michigan we have now every 2 years, please put in the bill the minimum length of time. I would rather it was in the bill than the administrative regulations doing it. Because we have to administer the program, and we would rather do it according to law. If it is in regulations, the comments are not necessarily agreed to by the administration, when they are finalizing regulations.

If you do require—if you get into the guidelines, here they say they are mandatory. If they are mandatory, they are not a guideline. It would be a schedule rather than a guideline if it was mandatory.

Perhaps the use of the "judges must use guidelines in allowing exceptions, as noted on the court record", would be a little better language. I will go on to the next section here, 502 "Establishment of Paternity."

This is the one that is in section 454. We are required now to establish paternity on all IV-D cases. We do not always do it well, but I think to rewrite this section with 454, it is ADC Regulations, in mind, it might meet the purpose of the section.

The disregarding of child support payment for FSP purpose, section 504, the administration, Federal administration, has shown that money as an expense of child support. This can have a very negative effect on the child support program, because it shows less money going back to the State. It shows the taxpayers paying more money if it is addressed a certain way. And it shows a higher Federal program deficit.

We would like to ask that if this stays at $50 or goes to $100, we are not going to comment on that, but if it does, that it be excluded from being expressed as a child support cost, in the legislation, or some other way. Because the more we collect on ADC, the more money we are going to be paying out, and it is going to show as a larger and larger cost. So the better job we do, this will show as a larger cost.

The demonstration project, which is 503, to address visitation problems. We support the legislation, but think it perhaps should also include custody issues, because they are tied together.

And, also, it is just a language thing, but on page 50, lines 8 and 9, I did not know whether you meant $5 million per year per State, or a total of $5 million. I think I know what the answer to that is, but it was not terribly clear.

Section 505. There is at the present time a 60-day time limit for locating the absent parents under CFR—45 CFR 303.3(d), and 45 CFR 303.101 (b) (2) and (3) gives time frames for establishing child support awards. I am not sure what you wanted besides that.

Automated tracing and monitoring system made mandatory, we support very strongly. We also urge the 90-percent funding continue until all States have their systems up.

A personal experience in Michigan, we have been trying to get a statewide system since 90-percent funding became available in 1981 for the development of systems.

We are at a point now where we are getting close, but we do not yet have it, and it has been 5 years. Our first request went in, formal request went in in March of 1982.

I do encourage you and hope that you will continue the 90 percent funding, and not meet the request of the administration in their legislation.

Section 507, interstate enforcement demonstrations. The State supported that 100 percent when it was made part of 98-378. We have not had very much time to conduct these studies.

Michigan requested one. Then they received approval for fiscal year beginning October 1, 1985. We actually got it started in June of 1986, because of problems we had getting positions and things like that. We got our first report in in September 1986, in October, actually, the end of September. September 30 we were told that we could continue this year only, the first year only, because of budget constraints. We then wrote and asked what budget constraints were, and we got a letter in January that said we shall discontinue, the interstate project will be discontinued at the end of the first year because we were implementing the interstate findings from the project on interstate study money. That is not correct. That may be a misunderstanding, but that is not correct. We have not even gotten the data back on the first phase of our study yet to know what is happening in the State.

The effective date, section 508. There are going to be States who have 2-year legislatures, and there should be an allowance for those States.

We need the money which is presently in the law for the administration of child support. We negotiated these things 2 years ago, 3 years ago, thinking that we would have systems by now when the match started to drop, thinking that we would have some indication from the interstate studies as to what direction we would have to go.

We have not had the opportunity to implement the 1984 legislation fully as of this date. It will not be implemented, I am sure, in some places until 1987, 1988 and maybe 1989. It is not that the legislation is not passed necessarily in the States. It is that it takes a lot of time from the time of passing legislation to get things into effect, get systems up in order to detail the kind of work that has to be done to respond to the 1984 legislation.

I have in my written testimony some issues which may be considered or not considered by the committee, but they are some suggestions on some further amendments.

Thank you, Mr. Chairman.

Chairman FORD. Thank you very much, Mr. Brockmyre.

Now, Ms. Helton, you are recognized.

[Statement of Jerrold Brockmyre follows:]

STATEMENT BY

JERROLD H. BROCKMYRE

MEMBER, BOARD OF DIRECTORS

NATIONAL CHILD SUPPORT ENFORCEMENT ASSOCIATION

Mr. Chairman and members of the Committee, the National Child Support Enforcement Association (NCSEA), on whose behalf I am appearing, thank you for this opportunity to provide a state administrative perspective on Child Support enforcement. I am Jerrold H. Brockmyre, Director of the Office of Child Support, Michigan Department of Social Services, the organization responsible for the administration of Title IV-D of the Social Security Act within the State of Michigan.

NCSEA is a national non-profit organization dedicated to promoting and protecting the well-being of children and their families by improving the efficient and effective enforcement of support. NCSEA is the voice of child support professionals from all 50 states, representing the perspective of all three branches of government and private bar. Members include more than 1,300 state and local child support agencies, individuals and corporations.

Congress in 1984 unanimously passed and the President signed into law the Child Support Enforcement Amendments of 1984. Most components of that law, P.L. 98-378, were a direct result of tried and proven, at the state level, innovations in child support enforcement. The funding formulas were negotiated to allow time for passage of state laws, the development of methodologies for collecting support for non-ADC families, the development of statewide systems to handle increased requirements and workloads and some direction from the special interstate enforcement project grants.

We have not yet felt the full impact of the 1984 Amendments. State legislation was written and passed in calendar year 1985 with effective dates in calendar year 1986. Implementation of the state legislation was achieved in most instances by the end of FY 1986. A few states may not yet have every piece of required legislation but they all have the heavy impact amendments. Fiscal year 1987 statistics (other than the $50 disregard) when compared to FY 1985 statistics will reflect the very positive impact the 1984 Child Support Enforcement amendments have had on single parent families.

Commentary Re: Title IV-D Child Support Enforcement Amendment-H.R. 1720

Section 501. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS

(a) Automatic updating of guidelines. This subheading is misleading in that the proposed language is not related to updating guidelines but rather updating orders so that they are in current accordance with guidelines. Assuming that the latter phrase is the intent, we concur with the overall concept. However, we question the technical placement of this amendment and some of the wording.

This subsection (a) is related to and referenced in subsection (c). Since the requirement to have guidelines already exists, we believe it is necessary to have reference to procedures for reviewing and updating orders in only one place; e.g. new subsection (10) of Section 466 (a) of the Act.

It is assumed that the Secretary is empowered to issue regulations defining various requirements in and phrases of this sub-section. However, the proposed wording is vague and subject to varying interpretation. For example, "periodic review" could be anywhere from 10 days to two years. This range is suggested by current analogous proposed regulations (q.v. interstate) and existing state law. For clarity and to reflect Congressional intent, we suggest that a specific time frame (or range) be identified. Such time frame should not be more frequent than annually.

If the intent is to require states to take action to update or modify orders (after review of changes in circumstances and if warranted by guideline standards), then the word "automatic" is not necessary. Requiring update activity is sufficient. If the intent is to have the order "automatically" changed, then federal statute would have to require that states have laws to effect the update without petitioning for or modifying the order. E.g. "the order is the (new) amount based upon review of circumstances and subsequent to notice to the absent parent." This would be an "operation of law" concept and could include a cost of living/inflation aspect. Further, if the intent is to make the update "automatic" then notice and due process requirements are moot. Since notice and due process are appropriate, then the update is not automatic.

We suggest that the last phrase of the subsection be changed to read (after the parentheses) they are in current accordance with the guidelines. "Current" can be defined as being within the same time period as the period of review.

(b) Guidelines to be Mandatory. Again the subheading, read literally does not jibe with the proposed language. Uniform applicability of guidelines does not mean the same as "these guidelines are mandatory." (If they are mandatory, they are not "guidelines"). This is especially true if a state's guidelines themselves allow for judicial discretion.

By striking out "need not be binding", it appears as though the intent was to actually make a states guidelines (or the amounts of recommended orders) mandatory upon judges and other officials. If that is the case then the wording should clearly state so.

If Congress cannot decree that "judges and other officials" must apply the guidelines and merely state that they shall be applied uniformly, then nothing is solved. Judges will invoke judicial discretion and state agencies will be faulted and penalized for lack of uniformity due to that discretion.

A more plausible solution may be to require state laws to mandate use of the guidelines by judges and allowing exceptions if the rationale is noted on the record.

(c) State Law Requirements. The preceding commentary on subsections (a) and (b) apply here because the requirements can only be effectuated by state law allowances and dual references are redundant.

Section 502. ESTABLISHMENT OF PATERNITY

(a) In General. As written, Section 502 (a) (1) would require states to have procedures requiring that paternity be established for every child in the state prior to the child's 18th birthday.

Establishing paternity for every child in the state is, of course, impossible. The identity of the alleged father may not be known, his location may be unknown in spite of thorough efforts to find him, or he may be dead.

In addition, the proposed amendment conflicts with Section 454 (4) of the Social Security Act. That section requires the states to establish paternity but recognizes that there may be cases in which paternity establishment would not be in the best interest of the child. For example, the child may have been conceived as a result of incest or rape and could be emotionally harmed by efforts to establish paternity.

Finally, existing provisions of the Social Security Act concerning paternity establishment are:

- States are required by Section 466 (a) (5) to have state laws which allow paternity to be established until a child reaches age 18; and
- States must take action to establish paternity in ADC and non-ADC IV-D cases under Section 454 (4) and (6).

Therefore, it is recommended that Section 502 (a) be rewritten taking into consideration section 454 (4) of the Social Security Act.

(b) Cost of Paternity Determinations Excluded in Computing Incentive Payment. The cost of determination of paternity is very high while the immediate benefit is ordinarily low. This section will encourage necessary expenditures by states and local units of government. We therefore strongly support Section 502 (b) of H.R. 1720

Section 503. DEMONSTRATION PROJECTS TO ADDRESS VISITATION PROBLEMS

This issue is new to Title IV-D. We support the legislation but believe it should also include custody issues. Page 50 lines 8 and 9 - does that mean $5,000,000 per year per state or total dollars per year?

Section 504. DISREGARDING OF CHILD SUPPORT PAYMENT FOR FSP PURPOSE

The disregard is being treated by the federal Administration as a cost of Child Support Enforcement and being used to negatively affect the program. The administration is emphasizing the negative in its annual report to Congress by including the disregard when showing lower "state program savings", higher "Federal Program Deficit" and lower "overall savings to the taxpayer". This is giving states a negative impression of Title IV-D. We, therefore, request that the disregard be considered an AFDC (FSP) expense and not be reflected as a Child Support cost. If it continues to be reflected as a Child Support cost the better job we do collecting support the worse we will look. If the program looks like it is less and less cost efficient it will not receive necessary financial support from federal, state and local governments.

Section 505. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUEST FOR CHILD SUPPORT ASSISTANCE

There is at the present time a 60 day time limit for locating absent parents in 45 CFR 303.3 (d). 45 CFR 303.101 (b) (2) & (3) gives time frames to establish child support awards but allows paternity to be excluded from the time frames.

SECTION 506. AUTOMATED TRACKING AND MONITORING SYSTEM MADE MANDATORY

In the 30 months since 10/1/84, the effective date of P.L. 98-378, there have been three directors of the federal Office of Child Support Enforcement. Each of the directors had their own agenda as well as direction from one of the two Secretary's of H.H.S. As a result the federal organisation has been uncertain of its direction and unable to give consistent answers to major issues and questions being asked by the states.

It was not until February 1987 that an advanced copy of AUTOMATED SYSTEMS FOR CHILD SUPPORT ENFORCEMENT: A GUIDE FOR STATES SEEKING ENHANCED FUNDING was sent by OCSE to the states. The guide is an excellent, helpful document but States had been asking for guidance since July of 1981 when P.L. 96-265 (making available 90% federal funding for systems development) became effective. In the H.H.S. Fiscal Year 1988 Budget document for release at 2:00 (EST), January 5, 1987, page 64 under Reduced Enhanced ADP Matching the department states "By 1990, States will have had almost a decade in which to design and implement automated systems with enhanced funds." That statement is absolutely true but fails to mention that for the past six fiscal years of that decade H.H.S. was developing their "Guide" for states to use to obtain enhanced funding for statewide systems.

We therefore strongly support Section 506 of H.B. 1720 and urge that the 90% funding continue until all states are able to implement comprehensive statewide child support systems.

Section 507. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS

It is important that the Interstate demonstration projects be emphasized and excluded from incentive payment computations. They should once again be emphasized by Congress because the administration is recommending eliminating the funding for these projects in their FY 1988 budget. The cost of them should be excluded in computing incentive payments to encourage states to become involved in a project without having to lose incentive funding. We strongly support this section.

Section 508. EFFECTIVE DATE

Language should be added to allow states in which the legislature meets every other year to meet the requirements.

Child Support amendments found in H.R. 1720 continue to emphasize the demand of society that both the custodial and non-custodial parents of a child be responsible for the financial support of that child. The program needs strong support for comprehensive child support enforcement systems and for the continuation of Interstate projects. It also needs continuing recognition that a strong non-ADC (non-FSP) collection process is cost beneficial by preventing dependence upon welfare. We therefore request that FSA be given funding to conduct a comprehensive study to determine the cost avoidance of non-AFDC (non-FSP) child support enforcement.

Other issues which might be considered in your deliberations are:

1. A clarification that the non custodial parent's obligation to pay child support is separate and unaffected by the custodial parent's breach of any of her responsibilities, including the denial of visitation rights to the father and contempt of court for leaving the state.

2. A statement that each state shall pass legislation requiring visitation to be enforced as vigorously as child support.

3. A requirement that paternity of all children including those in utero be established at the time of divorce.

4. Authorization for state parent locator service to receive information from all other state agencies, private employers and regulated industries such as banks and utilities.

A strong and uniform Child Support Enforcement Program will make a significant impact on welfare reform. It will prove to be the least expensive most effective method available to better the lives of children in single parent families. NCSEA welcomes the opportunity to work with you to develop the full potential of the Child Support Enforcement Program.

STATEMENT OF ANN C. HELTON, DIRECTOR, MARYLAND CHILD SUPPORT ENFORCEMENT ADMINISTRATION, DEPARTMENT OF HUMAN RESOURCES

Ms. Helton. Thank you.

Congressman Ford and members of the committee, my name is Ann Helton. I am the executive director of the child support program for the State of Maryland.

I also serve as the president of the National Council of Child Support Administrators. I am here today, however, on behalf of the State.

There are points in my statement where there is a council position, and I have made that clear as it ties into a particular issue, primarily in the areas of interstate and paternity areas.

I would also like to give you a report on the progress of the implementation of the new public law, and, at the same time, if I may, offer some comments on your proposal.

I commend you for the strong role that you attribute to the child support program in the scheme of welfare reform and, as a State administrator, I, too, envisioned this program fostering family independence. And I think there needs to be a commitment at the Federal level that envisions that. Particularly, when I look at the Federal statistics, between 1981 and 1985, there has been an 87-percent increase in the non-AFDC caseload in this country in this program. Those are the people that we must do everything possible to help avoid public assistance, and not have them sink into that particular quagmire.

I, too, think we have made great progress with the new public law and, like Mr. Brockmyre, I think that this is probably the threshold year before you will start to see the full force and effect of the 1984 amendments.

I think what Congress did in 1984 was give us proven methods of increased collections and improve our own administration, and I refer specifically to income withholding State and Federal income tax refund offset, medical insurance provisions, which are very important to families, extremely important, and the establishment of paternity to age 18.

These latter two areas, medical insurance and paternity, by the way, are important provisions that show that you were not just looking at collection figures. You cared about the total perspective of the family and their self-sufficiency, because those things do not represent or show up in collection dollars.

I would like to point out that implementation of these provisions is not a fast track item. For those of you who are familiar with your own State structure, you have to know that these jobs are not done simply by a IV-D agency, but they require a high degree of coordination and cooperation with the courts, the medical assistance agencies, employers and other State agencies, such as your employment and training.

Interstate situations, as in wage withholding and tax refund remain complicated and difficult because of the great variations in State laws and procedures between States. Nonetheless, we continue to make progress and we do declare our commitment to keep improving.

The availability of 90 percent Federal funds for systems development, which is one of the great centerpieces of the new public law, where you covered hardware, has been both an incentive and a stumbling block in our efforts to implement the new program. And I say that emphatically, and I believe I speak strongly on behalf of the other States on that matter.

Many States, and Maryland specifically, have found it difficult to impossible to meet the requirements established by the Federal Office of Child Support Enforcement in order to qualify for enhanced funding.

I use the word "requirements" loosely, because it is only as of last month that States have finally had supplied to them something called certification criteria, which really is a blueprint for how you get the money. So all of these years where you have been hoping we would move toward implementation, the fact we have had no ground rules on which to seek and obtain that funding. That is, of course, many States have run, and we are planning to submit some information to Congress on exactly State-by-State what has been the situation and what has been the barrier.

Needless to say, one of the major barriers to implementing the 1984 amendments has been the fact that we do not have high degrees of automation.

Some of the provisions of the new law, I do not want to say they were all good to us, but I do want to say there were a couple pieces that did not turn out to be as strong as maybe you might have wished them to be. One is the reporting to credit agencies, although I believe something is now happening in that area. Reporting information on overdue support obligations to credit agencies has required us to adopt laws and regulations and detailed procedures. However, it is only within the last several months that credit agencies have recently expressed an interest in the information that we have to offer. This is now since August 1984. Previously, they said that it had no bearing on credit worthiness. Some 2½ years after the enactment of the new law, we are finally seeing some progress in this area, and we are hoping to establish some partnerships with credit line reporting agencies.

Expedited processes. I will not read all of that. That has not necessarily been the boon to increasing or improving, rather, on time lines for processing child support that might have been envisioned. The primary reason is the States have seen that they can do withholding virtually semiautomatic, so there was not the impetus to set up expedited processes that there was in past years.

I make some passing reference to reporting requirements which continue to baffle us completely. And, without automation, I do not think we are ever going to be able to give the Federal office and the Congress the kind of qualitative data that you really would like to see, and that we can have so that we can better manage the programs.

Interstate grants. I close on that because I will not repeat Mr. Brockmyre. But I do want to say that for the six States to have been denied their second year's funding, it is unknown to us why. We have not been given reasons why. The theory is that there is enough money out there and everything has been studied and tested. What I question is if our grants were credible to begin with, and if the money was committed to begin with, if it was a quality project that meant to show something, why not complete that quality project? I do not see why we just leave that money hanging and why we waste that money when, in fact, I would like to complement what has been done. And I was not given any opportunity to plan, to go after State resources for that. I was just dropped. And I am one of six States, and I do feel that it has been wasteful to not complete those grants.

I would like to have Congress look at why not complete those efforts.

Looking at the Congressman's proposal, I would like to mention that it is very gratifying to those of us who work in the program that child support enforcement is no longer considered simply a collection responsibility. There is a growing acknowledgement at your level that we have a role in the self-sufficiency and strengthening of the Nation's families.

Having reviewed Congressman Ford's proposal, I would like to offer comments on the following sections very quickly.

The automatic updating of guidelines. I will not repeat what Mr. Brockmyre has alluded to. Guidelines to be mandatory. I very definitely support that concept, but suggest that guidelines cannot be uniformly applied also.

We would prefer that guidelines be established as a rebuttable presumption. And, in fact, Maryland has such a proposal pending before our current session of the general assembly. That allows the court, at a baseline, to say you must look at these, you must apply them. In exceptions where an inequity would be the result of applying the guidelines, you may deviate, but you must explain your decision. And then, upon an appeal, for the application of those guidelines, the respective parties know why there has been such a deviation.

Cost of paternity determinations excluded. I very definitely support that change, and would like to mention that the National Council of Child Support Administrators is in favor of this provision. We honestly believe it will be an incentive to States to improve their performance in paternity establishment.

I do want to deviate from my statement for a minute. I am not here to suggest that all States are equal in the paternity business. We are not. We do not all do a good job. We do not all have good laws. We do not all have the same commitment to doing paternity. And, yet, I believe that everything should be done to both raise the State's incentive to do paternity and to make them do their job. And I speak as a State who ranks seventh in the area of paternity establishment and I know that we do not begin to touch the surface.

So I would like to see clout put into the current paternity law. But I would also like to see paternity moved away from a mere collection function, because for those of us who do this, we do not believe there are great dollars in paternity. We believe there is an order for support in there somewhere, but we do not believe it represents a lot of money.

I speak also to the visitation item. We would like to know who you would have to review the findings of these studies. Would it be appropriate to the Federal Office of Child Support, because I assume you might want to look at those and see whether you wish to expand the title IV-D program into that area.

Disregarding child support payments. I think, in general, I support anything that puts disregarded income into the hands of assistance families. I do think you need to give us adequate time to prepare for such an increase from $50 to $100. I remember when the first act passed, we were really caught. I mean extremely caught.

I make an estimate that the State of Maryland could potentially lose all of its State offsets if you go to $100, and I will tell you why.

We are paying out about $47.50 per current recipient under the current $50 disregard law. So we are almost at the ceiling. Anything else we get above that, and we average about $80 a month on an AFDC order, is probably above—well, it is above and beyond the $50, but it is probably toward arrears, which you do not include in your disregard system.

Potentially, if you are going to be able to give them all of the $100 or whatever its value is for current support only, you are starting to eat into, I think, some of the remaining dollars that are left for State offsets. So I would ask you carefully to try to calculate—I know this was very difficult when OBRA passed—what is the Federal offset loss. And, if you are willing to do that, do it. And then what are the State offset loss, and give us time to help make up that difference.

In Maryland, I would have to make up $13 million worth of offset that relieves our general fund from AFDC's share of grants. So I could not just do that overnight; obviously, the State of Maryland could not just do that overnight.

Section 505, the requirement of prompt State response. I still have a problem trying to imagine the feasibility of a national standard for case processing. Again, as Mr. Brockmyre has indicated, we already have some standards through normal audit functions, audit oversight, and they generally call it timely action taken.

I would be worried about the Federal office establishing these standards on their own, and we would prefer, really, to work with the committee on that at the onset.

Automated tracking and monitoring systems made mandatory. Anything that you can do to move systems funding and to make States get into automation quicker certainly has our support.

I would ask you also to do one other thing, which is not part of legislation; and that is, to look very carefully to see if the Federal office is equipped to handle these increased applications. If you want States in 2 years to put up automated tracking and monitoring systems, somebody at the Federal level has got to review all of these applications. They have got to review APD's; they review contracts associated with APD's; they have to give technical assistance. They travel to the States and they also respond with monitoring.

I do not think the Federal Family Services Administration today is staffed at the level to handle that level of activity. And, if they cannot do it today under this legislation, they sure are not going to be able to achieve what you want in 2 years, even if we all have APD sitting over there waiting to come in.

Costs of interstate enforcement demonstrations excluded, find out what they are doing under the current interstate law, and how they want to conclude those proceedings. It has been alleged that there are some $9 million of appropriated interstate grant money that remains unspent. I have been unable to confirm that amount, but I would like to know whether that is my second year's grant or not.

In closing, I have listed some areas of legislation that the national council also touts, and I believe they are very much in concert with the chairman's proposal.

Thank you.

[The prepared statement follows:]

STATEMENT OF ANN C. HELTON, DIRECTOR OF CHILD SUPPORT ENFORCEMENT ADMINISTRATION, DEPARTMENT OF HUMAN SERVICES, STATE OF MARYLAND

Members of the subcommittee, my name is Ann Helton and I am the Director of the Child Support Enforcement Administration for the State of Maryland. My purpose in appearing before you today is twofold. First, I would like to report to you on the progress we have made to implement P.L. 98-378, the child support amendments of 1984 and second, to offer my comments on the child support enforcement provisions of the "Family Welfare Reform Act of 1987" proposed by Congressman Ford. We commend Congressman Ford for the strong role he attributes to the child support program in the scheme of welfare reform. As a State administrator, I too, envision this program fostering family independence.

IMPLEMENTATION OF PUBLIC LAW 98-378

We have made great progress with those provisions of the 1984 law which are based on proven methods to increase collections and improve program administration. I refer specifically to income withholding and State and Federal income tax refund offset. In addition, medical insurance provisions and establishment of paternity to age 18 are of great benefit to children and families without necessarily increasing dollar collections. I would like to point out that implementation of these provisions is not simply the job of the IV-D agency, but require a high degree of coordination and cooperation with the courts, the medical assistance agency, employers and other agencies. Interstate situations, as in wage withholding and tax refund offset, remain complicated and difficult because of the great variation in laws and procedures between States. Nonetheless, we continue to make progress. And we declare our commitment to keep improving.

The availability of 90 percent Federal funds for systems development and hardware has been both an incentive and a stumbling block in our efforts to implement the new program. Many States, and Maryland specifically, have found it difficult to impossible to meet the requirements established by the Federal office of child support enforcement to qualify for the enhanced funding. The Federal office suspended Maryland's systems funding in June 1986, after having previously approved an advance planning document, and as of this date, we have not been able to requalify for either the 90 percent or regular matching to proceed with development of an automated system. Needless to say, it is exceedingly difficult to implement the 1984 amendments without a high degree of automation.

Some provisions of the new law have been difficult to implement and others appear to be ineffective as the following examples will illustrate.

Reporting to Credit Agencies—Reporting information on overdue support obligations to credit reporting agencies has required us to adopt laws, regulations and detailed procedures for doing so. However, credit agencies have only recently expressed interest in the information we have to offer, previously saying it has no bearing on credit worthiness. Some 2½ years after the enactment of the new law, we are finally seeing some progress in this area.

Expedited Processes—Federal regulations establish timelines for case processing which are extremely difficult to monitor. Further, it appears that the requirement that all States implement expedited processes may be premature after considering that a large percentage of the caseload is essentially removed from the court system with the implementation of income withholding. After removing those cases, paternity and criminal non-support cases, creation of an expedited process may prove unnecessary altogether. We need time to evaluate the effectiveness of the enforcement tools available to use before we can determine whether the present judicial system cannot meet our needs.

Reporting Requirements—The 1984 law vastly altered the scope and content of the information States must report to the secretary annually. No State that I have discussed this provision with, and specifically I speak for Maryland, can meet the new reporting requirements without an automated system. The quality of the reported data remains questionable, despite Maryland's implementation of new reporting procedures and staff to monitor and evaulate the data. And, as I have mentioned, we have not been successful in designing a system which meets with the approval of the Federal office.

Interstate Grants—Maryland was able to qualify for a special project grant to promote improvements in interstate enforcement as authorized under the 1984 law. The project, intended to be a 2-year project, was terminated by the Federal office after the first year during which a complete study of the interstate process in Maryland and the States with which we most often have interstate dealings was conducted. The purpose of the study was to identify problems in the system as well as processes that do work. The second year plan called for retraining of staff statewide and implementation of successful interstate procedures. With suspension of second year funding, we find ourselves with a wealth of information and no resources. I understand that five other States find themselves with suspensions after the first year's efforts which represents, at least to Maryland, a colossal waste of time and money.

THE PROPOSED "FAMILY WELFARE REFORM ACT OF 1987"

I would like to mention that it is somewhat gratifying to those of us who work in the program that child support enforcement is no longer considered simply a collection agency, but that there is acknowledgment at the national level of our growing role in the self-sufficiency and strengthening of the Nation's families. Having reviewed Congressman Ford's proposal, I would like to offer comments on the child support provisions.

SEC. 501(a) *Automatic Updating of Guidelines*—automatic updating of all orders is a very labor intensive proposition. Not only would the IV-D agency be hard pressed to handle this workload, I am concerned that the State courts would be clogged with requests for judicial review of increased orders. I am also concerned about usurping the court's authority to establish and modify support orders and the well established principle, that a change of circumstance must be demonstrated to request a modification. If court review is not intended by this proposal, I would suggest the language drafted clarify this.

(b) *Guidelines to be Mandatory*—I support this concept, but suggest that guidelines cannot be "uniformly applied" in all cases and that the state adopt them as a rebuttable presumption so that an exception can be made as an individual case warrants. Maryland has such a proposal pending before the current session of the State general assembly.

SEC. 502(b) *Costs of Paternity Determinations Excluded*—I support this change and would like to mention that the national council of child support administrators is in favor of this provision. We honestly believe it will be an incentive to States to improve their performance in paternity establishments.

SEC. 503(e) *Demonstration Projects to Address Visitation Problems*—The concept of demonstration projects is good. I believe it is important to identify at the outset how the results will be used and whether the purpose is to consider an expansion of the IV-D program to include visitation and mediation enforcement. I would also like to add that States may be skeptical about committing themselves to undertaking such a project given the recent experience with the Federal office on interstate grants.

SEC. 504 *Disregarding of Child Support Payments*—States had a very difficult time implementing the $50 disregard. The proposed disregard of payments "timely made when due" introduces an entirely new level of administrative difficulty. In addition, the increased disregard could mean the entire loss of a State's AFDC offset and both Federal and State Governments will have to prepare well in advance for this reduction. Maryland is currently paying, on the average, $600,000 per month under the current law and given the high number of AFDC paternity orders we administer, most of our AFDC current support collections would be directly returned to the families. We would need adequate time to make up some $13 million of general funds we contribute to grants to State assistance clients.

SEC. 505. *Requirement of Prompt State Response*—I find it difficult to imagine the feasibility of a national standard for case processing and even more difficult to imagine that compliance can be achieved. The proposal does not acknowledge extenuating circumstances, namely failure to serve notice—the single biggest reason for failure to establish an order. I would also mention that States are under present law audited for "timely action taken" on all case processing, interstate cases and paternity.

Sec. 506. *Automated Tracking and Monitoring Systems Made Mandatory*—Maryland's single biggest concern is automation and we strongly support this concept. We have serious concerns about some States' ability to tie in agencies, such as the courts, which are not under contract. Neither do we believe that the Federal office is equipped to deal with increased requests for funding—either in the area of APD reviews, contract reviews, technical assistance nor monitoring. I strongly urge that Congress look closely at the Family Services Administration current organization and staffing for system before you spur increased systems applications.

Sec. 507. *Costs of Interstate Enforcement Demonstrations Excluded*—I support this proposal and only wish that it had been a part of the 1984 law. I am somewhat concerned about how this proposal dovetails to current law since the Federal office has cut off funding for projects in progress and I was unaware that they intended to approve new grants. I hope that the congress would specifically State its intentions regarding the future of interstate grants, as it has been alleged that $9 million of appropriated interstate grant monies remain unspent.

In closing, I would like to indicate some other constructive ideas that States have proffered to strengthen the Federal law and help improve States' effectiveness and efficiency: they are—

Maintain Federal funding levels established by the child support amendments of 1984 for regular administrative costs and systems development (68 percent and 90 percent respectively).

Establish demonstration grants for job training and placement programs for child support obligors to improve their ability to pay.

Enact legislation to require employers to release information on employees who are subject to an investigation concerning a child support proceeding.

Require the Department of Labor to allow States to access internet system of unemployment insurance data.

In my role as president of the National Council of State Child Support Administrators, we are ready to work with the leaders of welfare reform, like Congressman Ford, to help shape the new child support agenda.

I would like to thank the subcommittee for the opportunity to meet with you today and will be happy to answer any questions.

Chairman Ford. Thank you very much, Ms. Helton.

How effective are your programs in your States? I mean it is clear that you must have it under control, but I see that you keep talking about unspent Federal dollars; programs that have not fully exhausted the demonstration funds; but how effective are you with child support enforcement in your States, especially since 1984, when we had the child support enforcement amendments?

Mr. Brockmyre. Well, do you want me to begin, or you?

Ms. Helton. Go ahead.

Mr. Brockmyre. Michigan has kept up with, and, in effect, passed—I think we are No. 1 in overall collection now. Prior to the 1984 amendments, we were not.

Chairman Ford. Prior to the 1984 amendments?

Mr. Brockmyre. We were second. We have always been right up by the top. California is the only State that collects more in AFDC than Michigan does.

We do a good job. It is a job that a system, which is our main drive right now, is to get a data processing system, we put in our document a conservative $25 million increase in ADC collection when that system is fully implemented. We believe it is there. The cost of the system is going to be somewhere between $14 and $20 million, depending on what is counted and what is not counted. We do not know, except, and I will defend the administration on this point, they have had three different Administrators and two different Secretaries since the passage of the 1984 amendments, and that does stir things up, because nobody knows what they can commit to. I will give them that. But we did not have a guide until last month, February, for systems and what was expected in the systems. And we tried; we had meetings; we came here. We had people from Rockville to Michigan. How well are we doing? We are doing well? I think we can do a lot better. I have no doubt that we can do a lot better.

What we have got to concentrate on is the current obligation, what the person is supposed to get this month. We can always get arrearages. But an indication of where we are falling behind, and this is Michigan numbers, our Federal income tax submittal to OCSE, the income tax intercept, is going up about $100 million a year. It varies a little. Now, that means our arrearages are getting at least that much more each year. And that is just the ADC cases, primarily ADC cases. Those are the ones I was talking about. That is a lot of money; a lot to collect.

And the studies that I have seen showed that approximately 80 percent of the payers can pay the amount of the orders as they were during that study time for two different studies.

So, we are doing a good job; but we can do a better job.

Ms. HELTON. I agree with Jerry. I think that performance still remains spotty. I think, again, there are wide variations. Remember the child support is not given the visibility that we would like to have in all States. All State Governors, all State budget offices, all State organizations do not necessarily take the credit, if you will, for having an effective child support program.

Chairman FORD. How can we enhance that from the Federal level?

Ms. HELTON. I think that you are doing the right thing, by, first of all, showing that this program has high visibility at the Federal level, and that you are driving through with these new laws.

I think you have taken your case to the States. That does not mean that you awakened every sleeping giant, but I think in 1984, you undertook that effort in a very big way, and caused many States to stand up and look.

There is some risk in that, because when they start looking today at offset and dollar-making, or profit-making, if you will, remember that this is an old concept. We are now moving away from that, and that there is nothing static about this program. The real demand in this program is non-AFDC. And we have, in your Districts, thousands and thousands of families we have never served, and still do not know we exist. So we can look to progress, and we can say, "Hey, we are doing a better job," but we can never be still. We can never rest on any laurels because we are not making serious inroads into reaching families who need our help. And you can spend money on outreach; you can work with advocate organizations; you can spread the word; but there are still—it still baffles me to have someone, you know, I speak to small community groups, I go to Rotary, et cetera, and to sit there and watch the incredulous look on people's faces who do not know that this is a governmental program, because they know people who need it.

Chairman FORD. When you say "don't know that this is a governmental program," when you are speaking to these groups, what do you mean they do not know?

Ms. **Helton**. They are unaware, Congressman, that such a program exists to assist families, and it is virtually open, as you well know, to anyone who requests our services. And usually there are no fees or modest fees associated with getting into the program. They do not begin, of course, to pay for the cost of the services.

Chairman **Ford**. Is it not true though that you just really need a sound educational type program?

Ms. **Helton**. And we must keep doing that.

Chairman **Ford**. You must continue to do that in all States, and as you said earlier, we at the Federal level must continue to focus the attention and try to bring about needed changes in the laws to make sure that we would give the States the flexibility that they would need in order to enhance——

Ms. **Helton**. And to give us the clout that we would need. I do not think this is true of Mr. Brockmyre and ourselves because I think we are in highly visible programs in the States we represent, but that is not true of all State directors, and some of them cannot, on their own, push that attention up to the highest elected officials and managers in their States.

Chairman **Ford**. Well, it is the intent of the Federal Government to enhance the effectiveness of all States. And, if we can do that, even more in this welfare reform package, we certainly would like to do that. I know with the 1984 amendments, as chairman of the subcommittee that reported the child support enforcement amendments, it was the intent of this committee to strengthen the child support enforcement program.

One other question: Does the minimum cost-effectiveness ratio of 1.4, that has been proposed by the administration, make sense to you? Would it enhance the effectiveness?

Ms. **Helton**. That is above the 1985 national average. I would like to know where that figure came from. The 1985 national average is 1.34.

Chairman **Ford**. Well, the administration testified earlier in their printed statement. They said, "We are proposing to tie the AFDC child support incentive payments to minimum levels of cost-effectiveness by limiting such payments to States with a cost-effectiveness ratio of 1.4 or better."

Ms. **Helton**. It sounds like an arbitrary figure to me. I do not know what it relates to when, again, the last published data, and we do not have the 1986 yet, I do not believe you do either, shows that the national average in AFDC cost-effectiveness is 1.34.

So, under that scenario, huge numbers of States, we have made a rough estimate that under the administration's proposal, 35 or 36 States would lose all of their incentive dollars.

Mr. **Brockmyre**. And that would be very damaging, because a lot of States would not appropriate it. They would say, "To hell with it; go do your own thing; we will fight with somebody else." It would be damaging. It would not to us, as a State. It would to us in having to deal with the other States.

Ms. **Helton**. And the counties.

Mr. **Brockmyre**. The 1984 amendments have done a lot of very good things. They have gotten the judiciary thinking about child support a lot more than they were before. In Michigan, they have put in a bureau of the friend of the court in the State court administrator's office. The friend of the court in Michigan is the one that enforces child support. It is right in with the courts.

Chairman FORD. Why do States have high and low ratios; what makes up the difference in that?

Mr. BROCKMYRE. Well I know a little bit. One, we have had the law since 1917, 1919, something like that. We have had it ingrained in Michigan.

Another thing is we have kept track. We have always had the people pay through the courts, whenever they pay child support. All but about 3 percent. And when those have problems, they come to the court and they pay through the court. So we have had a track where the money is, and who has paid what and when. And a lot of the States have in the past spent a lot of time discussing with people who owes what, and people have to bring in proof. There is a lot of time spent on those things. We have had a strong legislature and Governor in Michigan, as far as child support is concerned. And all of that kind of thing makes our cost-benefit ratio very high. And we have the record. We have the emphasis. We spent $50 million, I think it was, in administration last year. That is probably the highest, other than California and New York. And I do not think anybody spends twice that much, although California may. We have put the money into the program.

Ms. HELTON. And resources is one of the big variables. It is not true everywhere. There are some States who have a high staffing level, or FTE level, and they do not produce the dollars. But there are a considerable number of States that do not have it yet committed, even though you have an entitlement program here that would say they have committed the dollars to go there.

I will tell you one of the things that spurs the State of Maryland to try to do better in AFDC offset, is the offset is a line item appropriation in the State budget. And every State legislator who looks at the State budget not only wants to see how much we are going to save the General Fund, they want to make sure that it is going up at an appreciable rate. And I think that is a very political thing to do, but I think it puts me in a position of being pressured to continue to do better. And that is what I am talking about when it comes to visibility. Some of them just do not have the opportunity to show what they can do.

Chairman FORD. Thank you very much. Let me say that I know your Governor, Governor Blanchard, and I know your Governor. Give them both my regards. Thank you again for your testimony.

Our next panel will be Diane Dodson, staff attorney for the Women's Legal Defense Fund; Jack Kammer, executive director of the National Congress for Men; Ann Kolker, policy analyst for the National Women's Law Center; David Levy, president of the National Council for Children's Rights, Inc.; and Virginia Nuta, director of public affairs for the Parents Without Partners.

You may come to the witness table, please.

Would the staff help arrange the witness table for all of the witnesses, please.

If it is possible, if I could have the witnesses, since there are five of you, go in order and arranged the way the names were called.

Let me say that I welcome all members of this panel before the committee. We are sorry that you had to wait for awhile this afternoon. We are very delighted to have you before the committee on the eve of a markup session of the welfare reform package. Let me again welcome you to the committee, and thank you very much for your testimony you are getting ready to present to the committee.

The Chair will recognize you, Ms. Dodson, first.

STATEMENT OF G. DIANE DODSON, SPECIAL COUNSEL FOR FAMILY LAW AND POLICY, WOMEN'S LEGAL DEFENSE FUND

Ms. Dodson. Thank you.

I am happy to be able to speak to you today on behalf of the Women's Legal Defense Fund, which is a tax-exempt nonprofit organization, located in the District of Columbia, that seeks to advocate the legal rights of women.

The fund has worked for some years in providing technical assistance and information to advocates around the country on child support issues and, in addition, answers several thousand telephone calls a year from people in the D.C. Metropolitan area with child support and other domestic relations problems. So our information is based both on contact with advocates around the country and from the large volume of local telephone calls that we respond to each year.

Our contacts with individuals and groups on both a national and local level have convinced us that a great deal of progress has been made in implementing the 1984 amendments, at least insofar as establishing a basic legal framework in the States for continuing from here.

We feel that the practical reality of whether these amendments have really gone into effect, and are truly available for the day-to-day person, the client coming in seeking services, is another matter. Virtually every State now has the basic legislation providing for income withholding and the other remedies that the 1984 amendments mandated. And that is an accomplishment in and of itself. We make no bones about that. However, the implementation of the remedies is much slower. In particular, with income withholding, which is one of the key remedies in this whole package, it has been our experience and our information from a number of States confirms, that it is days or weeks, or sometimes even months, after the triggering arrearage occurs in a given case before the procedure is actually commenced to institute withholding. The procedure may be very good on paper but, if you do not institute it, you do not get the results.

One of the very main reasons for this, in our view, has been a failure to adequately computerize the systems that would bring this about. We do not think it is really possible to have an effective withholding system if you do not have good computerization. One of the key problems has been the holdup in Federal funding for this. We have this information from around the country, and I would reiterate what your previous two witnesses indicated. We, certainly, from the advocacy perspective can ratify their experience from the position of State administrators.

We understand that some of that Federal money, or all of it, has now been released. But we believe that especially during 1986 it was held up and was not really available to the States at that point, and it was sorely missed.

Also, simple delays in intake of IV-D cases means that income withholding is delayed for many clients who were not previously IV-D clients, but come in when arrears build up and they try to get services. Simply not handling their cases for many weeks or months also delays the onset of withholding.

Interstate enforcement of existing obligations, interstate paternity establishment, and interstate establishment of new orders remain very serious problems throughout the country. We know that the Congress in 1984 attempted to address this problem. One of the main ways was with interstate income withholding. However, it is our understanding that interstate income withholding is probably the least implemented aspect of all of the 1984 amendments.

Many States have not even passed legislation providing for interstate income withholding. They are relying instead on the registration provisions of the Uniform Reciprocal Enforcement of Support Act which, because of the extra layer of procedures, means an extra 20-day automatic delay, and subjects those orders to modification in the enforcing State, which we believe Congress did not intend to begin with. However, we believe OCSE has felt they did not have the authority to say the States absolutely had to have a separate statutory provision establishing interstate income withholding instead of using URESA registration, and I think that perhaps that can be corrected.

The interstate system is also mired in a great deal of paperwork and complexities. There are overlaps between the preexisting system, under the Uniform Reciprocal Enforcement Support Act, which has never been dismantled in many States, and the new 10-year-old IV-D system. The two often do not coordinate very well. Paperwork flows are unbelievably arduous in getting papers to where they ought to be. There are at least a half dozen different legal remedies for interstate enforcement and establishment of support obligations. They are very complex and we do not believe that this area is anywhere near being solved. We will offer some suggestions in couple of moments.

The 1984 amendments emphasized the provision of services to non-AFDC clients. It changed the incentive structure to emphasize those services, and it also mandated that States undertake public awareness campaigns.

We do not believe that that has been fully carried out. To some extent, we believe that States have not had additional funding and, indeed, the Federal funding has been somewhat cut in recent years. The States have been trying to get their systems in place, and they have not undertaken the massive public education campaigns, the public service announcements on TV, the kind of thing that would really bring in new clients. And I think it is because they were afraid they could not handle them if they came.

Many clients who do come in experience lengthy delays in the intake process, personnel who are not trained to handle non-AFDC cases, low priority and extensive delays to any cases that are not very simple—that is to say, any case that involves paternity, that involves locating an absent parent, that involves a self-employed absent parent. Those tend to often be put at the bottom of a pile and clients may experience many months of delays before anything happens on those cases. When money is collected, it is often paid out only very slowly.

There is a list of other problems in the quality of services as well, such as whether discovery is conducted on the amount of the obligor's income. So the quality of services and the amount of service for non-AFDC cases is a problem.

There are many households in which there is no support award. Many of those, we believe, are situations in which paternity needs to be established. And we have noticed a particular lack of enthusiasm on the part of IV–D agencies for establishing paternity. We think this is because it is a somewhat lengthier and more time-consuming and difficult process. The financial incentive structure may also provide negative motivation. In any event, getting paternity established remains a particular problem.

We also note that in developing support guidelines, which States are undertaking, there has been a serious problem with a lack of very recent data on the cost of raising children in both single parent households and two-parent households and on comparisons of the standards of living in those households.

Pretty much, everyone has been using data from 1972 and 1973, and there is a serious need for more current data to allow good guideline development and modification of guidelines once the States have them in place. So what can be done?

We have several suggestions:

One is we would emphasize continuing at least the current level of Federal funding for the overall child support program. I would include in that the basic funding levels, the incentive structure and the interstate grants. In addition to that, we consider continuing the continuation of the 90–10 funding for computerizing these systems absolutely essential.

We do not believe that computerization has taken place so far. We believe that these systems cannot work if they are not computerized and that money is critical to carrying that out.

We agree that there should be a provision for periodic updating of all support awards, whether it is through cost of living increases or through reapplication of guidelines.

We would suggest providing for a study to be done by the Census Bureau or the Department of Labor on the costs of raising children in single and two-parent families and on the comparability of the living standards in those households in order to give States better data.

We think that study is very badly needed, and we have heard that from all over the country from those in the States who are developing guidelines.

Chairman **Ford**. Why the Department of Labor?

Ms. **Dodson**. Simply, they are one of the two agencies that do that kind of market basket survey. I think the Department of Labor does also. There are several Federal agencies that do these mass surveys of expenditures on the part of families. I think the Department of Agriculture does one and I think the Department of Labor does one, and the Census Bureau occasionally does them. It is not so much that we have one particular agency in mind as that it needs to be done by an agency capable of supervising that kind of a study.

We do not have any quick fix on the interstate problems. We actually would suggest that a commission be established to address interstate child support enforcement. We think they should consider everything from completely federalizing the system, after an award is made, to revamping the present State-based system, and, particularly, the coordination between the existing URESA program and the IV-D system. And we do not think a consensus exists now on what should be done. A lot of expertise has been built up with these interstate grants. We think there needs to be some method of bringing those people together to talk seriously about exactly what is a sensible way to revamp it in this country.

In the meantime, we think that you could enact a mandate for specific interstate income withholding procedure so that orders would not be subject to modification. You could require that States provide a procedure for establishing paternity in interstate cases. Some States do not have that. And require that States provide for the collection of arrears through their URESA system, which some States do not allow.

We endorse the idea of performance standards and also guidelines for good practice in the handling of these cases, particularly in the non-AFDC area. There are such extraordinary delays that simply times for processing cases would be very helpful.

We also believe it would be useful to conduct a study of the 3.7 million families who have no support award to determine what the reasons are. We know if we could provide support for them it would be a huge help, and we do not know exactly why those families are not being serviced, whether they do not know about the system or they choose not to enter it, or what the problem is. We know that that is a lot of families.

We would also remove the cost of paternity determination from administrative costs for purposes of determining incentive payments.

Would you like me to continue with some specific remarks on the bill, or have I used up my time here?

Chairman FORD. Naturally, we would love to hear good things about the bill.

Ms. DODSON. Okay. Well, we endorse the direction of the bill, and we endorse many of the specifics. We have some, what I would call, tidying up suggestions on several.

We heartily endorse the requirement of performance standards and the exclusion of paternity determination costs and costs of interstate demonstration projects in determining incentive payments.

We oppose, actually, the requirement, as we understand it, that there be paternity determinations required for all children born in the United States. We think that there is such a horrible lack of services that even those mothers today who come seeking that help cannot get it. Let us solve the problems of the mothers who are seeking help getting the services they are asking for before we invade the privacy of those who are not seeking any public assistance and are not any particular burden and mandate some system of establishing paternity for everyone. So we do oppose that particular provision.

We favor—we, in general, are concerned about absolutely mandatory child support guidelines. We, too, think that, in general, rebuttable presumption with a required finding on the record if guidelines are deviated from is preferred. We are a little troubled about even going that far right now. Our concern is pragmatic. We want higher support orders. We think they are too low and we want to see what the guidelines provide before we say you absolutely have to follow these guidelines. But, to some extent, we would like to see what happens as we come to October and whether the guidelines are really going to make an improvement.

We favor periodic updating of awards. And I really do appreciate the direction that you are going there. I am a little concerned that there may have been a mix of the cost of living increase approach and a guidelines approach and, in particular, you have proposed a default system of proposed increases. The difficulty with that is you have to know what the absent parent's income is to be able to reapply the guideline, which means you have got to get him in and reprove the amount of income before you can apply it. So I think the procedure that has been set up needs to be adjusted some to address that problem. I think there is some significant problem in getting people in again, although the updating is clearly the best way to go.

We endorse the requirement that States establish clearing houses for tracking and monitoring support payments, although we do think parents should be able to opt out. I think Mr. Brockmyre referred to about a three percent opt out there, if both parents agree to that.

And, lastly, we are very concerned that visitation and support should not be linked. While we do not oppose, and, in fact, think it is perfectly appropriate to study visitation problems, we would suggest taking that out of OCSE and putting it under the Children's Bureau, which has historically dealt with child custody disputes, parental kidnappings, child abuse and other domestic relations issues dealing with children. And we think it is better to do that than to link it with child support through keeping in OCSE.

Also, we believe that funding at a level of academic research projects and several, carefully structured demonstration projects to study a variety of approaches might be more useful at this point than simply a project in all of the States.

Thank you very much.

Chairman FORD. Thank you very much.

[Statement of Diane Dodson follows:]

Testimony of G. Diane Dodson
Special Counsel for Family Law and Policy
Women's Legal Defense Fund

On Child Support Enforcement
Before the House Committee on Ways and Means
Subcommittee on Public Assistance and Unemployment Compensation
March 30, 1987

Chairman Ford and members of the House Subcommittee on Public Assistance and Unemployment Compensation, I appreciate the opportunity to testify before you today on behalf of the Women's Legal Defense Fund on the implementation of the Child Support Enforcement Amendments of 1984 and on what further might be done to improve the collection of child support in this country. I will also briefly address the child support provisions in the bill the Subcommittee is considering today. We will not address today the overall welfare reform provisions of the bill and will request permission to submit a further statement for the record on the bill itself and on the matters covered today.

The Women's Legal Defense Fund is a tax-exempt, not-for-profit membership organization founded in 1971 by a group of feminist lawyers in Washington, D.C. to advance women's rights under the law. For the last several years WLDF has conducted a national program of providing information and technical assistance to advocates seeking to improve the enforcement of child support in their communities and to secure the adoption of child support guidelines which provide fairly and adequately for the support of children. In addition, the Women's Legal Defense Fund receives and answers several thousand telephone calls each year from women in the Washington, D.C. metropolitan area with questions about domestic relations matters. A great many of these calls are from women who are experiencing difficulty in obtaining adequate support for their children. In addition, WLDF volunteers have worked with local courts and organizations on child support issues, including implementation of the 1984 Amendments.

Implementation of the Child Support Enforcement Amendments of 1984

Our contacts with individuals and groups on both a national and a local level have convinced us that a great deal of progress has been made in establishing the legal framework required by the 1984 Amendments but that a great deal of work remains to bring all of the changes we had hoped for in 1983 and 1984 into practical reality.

1. Virtually every state has now enacted legislation establishing income withholding and most of the other enforcement remedies required by the 1984 Amendments. Income withholding, in particular, has enjoyed widespread acceptance not only by public officials and custodial parents but by the business community as well, which is essential in implementing withholding.

2. Progress in practical implementation of the new remedies lags far behind, however. In particular, we are concerned with significant delays in commencing income withholding in large numbers of cases. Although the 1984 Amendments are quite specific in requiring that withholding be commenced by the sending of a notice on the date a triggering arrearage occurs, it is our understanding that in many parts of the country days or

weeks--and sometimes even months-- pass before the notice of proposed withholding goes out. One of the main reasons for this failure has been the delay in computerizing the process in many states and counties. While we understand that these funds have now been released the problem was exacerbated by a holdup in federal funding for this purpose during much of 1986. Local administrative problems have certainly contributed to the delays in implementation as well. In addition, delays in intake of IV-D cases mean that many persons who are eligible for income withholding cannot obtain it for as many weeks or months as it takes their IV-D application to be acted upon.

3. Interstate enforcement of existing support obligations, interstate establishment of support obligations and interstate establishment of paternity remain among the most intransigent of problems in the child support field. One remedy under the 1984 Amendments which held out hope of significant help was the requirement that states provide for interstate income withholding and make their own income withholding systems available to enforce the orders of sister states. This is probably the most poorly implemented provision of the 1984 Amendments. Approximately one half of the states have not enacted any specific legislation covering interstate income withholding. Instead, many have chosen to rely on the registration provisions of the Uniform Reciprocal Enforcement of Support Act. This has had two significant consequences. First, there is a delay in many states of at least 20 days before the withholding process is commenced because notice of the proposed registration of the order is given before the notice of proposed withholding is sent. This builds an additional 20-day delay into a system which is already fraught with delay in the transfer of paperwork. Second, this procedure subjects the order to modification in the second state. We believe that it was the intention of Congress that orders not be subject to modification in the absent parent's state merely because the custodial parent sought income withholding. For example, if a couple divorces in Arkansas, a support order is established at that time, and the husband later moves to New York, the wife could seek New York's aid in withholding the amounts due under her Arkansas order if her ex-husband fell behind in payments. However, because New York uses the URESA registration provisions, the ex-wife could shortly find herself having to answer to a motion to modify the amount of child support downward in New York, merely because she sought income withholding there. In addition, while most states have made their full intra-state income withholding systems available to persons represented by private counsel and those proceeding pro se this has not been the case with interstate income withholding, which by and large is available only through the IV-D system.

In general, the interstate support enforcement system, despite the concern of many in Congress in 1984, has remained mired in delays and complexities. It should be noted that the interstate enforcement of support is quite complicated as a legal and administrative matter. The old system of interstate enforcement under URESA often co-exists with and coordinates poorly with the IV-D system. The paperflow is arduous. There are a number of different remedies that can be used to establish or enforce interstate obligations--ranging from the Uniform Reciprocal Enforcement of Support Act provisions through interstate income withholding, tax refund intercepts, administrative procedures, use of long-arm statutes, and the Uniform Enforcement of Foreign Judgments Act. Each has pros and cons and merely selecting the correct legal remedy is often a difficult task. While the recent proposed regulations on the interstate enforcement of support obligations and the development of uniform forms should assist, the basic interstate system is still flawed.

4. The 1984 Amendments emphasized the provision of support enforcement services to non-AFDC clients as well as AFDC clients, modifying the incentive structure to encourage this outcome and requiring states to undertake public education campaigns about the availability of services to non-AFDC clients. While these were important changes and there have been some improvements in the field, many agencies have not had additional funding for the period of transition when the new remedies were being added and new procedures developed and have not been inclined to increase their public awareness programs without additional funding for services to these additional persons who would apply for services. While eventually, the use of more effective remedies such as income withholding should yield more efficient operations, these benefits have not been fully realized and we do not believe there has yet been a dramatic change in the quality or the amount of services available, particularly to non-AFDC clients. Among the specific problems for both AFDC and non -AFDC clients we have identified are these:

- lengthy delays in the intake process
- personnel who are not trained to address the particular needs of non-AFDC cases
- low priority given to any cases which are not very simple to handle--e.g., paternity cases, cases in which the absent parent must be located, cases involving self-employed absent parents
- failure to conduct discovery to learn the true earnings and ability to pay of the non-custodial parent;
- failure to pursue contempt actions
- failure to appeal unfavorable decisions or inform the clients of their right to appeal
- delays in forwarding support payments collected to the custodial parent
- failure to promote the services of the IV-D agencies to non-AFDC recipients
- failure to notify AFDC recipients that they are entitled to the first $50 collected on their behalf and failure to pay these amounts promptly to AFDC clients

5. In 1984 some 3.7 million mothers with children under 21 years of age whose fathers were not living in the household did not have any support award. One significant component of this group of households is those in which paternity needs to be established. Congress expressed a concern in 1984 for the handling of paternity cases by requiring states to eliminate their statutes of limitations in paternity cases and by eliminating the costs of blood tests in computing administrative expenditures under the program for incentive purposes. Despite these changes, we believe many states and counties continue to do a very poor and unenthusiastic job of attempting to establish the paternity of all children in their caseloads, believing that these cases are often expensive to handle and yield little return. This is often true in the year paternity is established, especially if the absent parent is a young, unemployed person, but over the minority of the child this investment of time and resources is likely to pay off.

6. We note that in the efforts of various states to develop support guidelines there has been a serious problem with the lack of recent and reliable data that would provide information on typical expenditure patterns on children in single parent as well

as two-parent families. With the deadline for guidelines development not until this October, the jury is still out on whether guidelines the states will develop will provide for fair and adequate support awards and insure children a reasonable standard of living in comparison to that of both parents. States are still actively working on developing guidelines. It appears that in most cases the guidelines represent an improvement but may not provide amounts enough to ensure children a reasonable standard of living.

What Can Be Done to Improve Child Support Collections?

We suggest the following things to improve child support collections:

1. Continue at least the present level of federal funding for the overall child support program. There can be little or no improvement in child support collections without the continuation of at least this level of funding from the federal government.

2. Continue the availability of 90-10 funding to cover the costs of automating child support collections/clearinghouses/ income withholding systems. Automation is almost essential to a well run system if arrearages are to be quickly observed, notices of proposed withholding promptly sent, and payments promptly made to the families entitled to support.

3. In order to insure the continued adequacy of support awards, mandate that states provide for the periodic updating of all support awards, those of both IV-D clients and others, through either regular cost-of-living adjustments or through periodic reapplications of support guidelines.

4. Provide funding for a study to be done by the Census Bureau or the Department of Labor on expenditures for children in single as well as two-parent families and on the disparity or comparability of the standards of living of the household in which the children live and the household of the absent parent.

5. Establish a commission to study and recommend solutions to the problem of interstate enforcement of child support obligations. The commission should be mandated to consider a wide-ranging variety of options from completely federalizing all enforcement of support once a support award is entered to what could be done to streamline and re-vamp the interstate enforcement system if it remains in the state domain. In the meantime, make several minor changes which should improve the interstate enforcement of support at least marginally under the present system:

- require states to adopt an interstate income withholding law which does not subject the order to modification in the enforcing state and which does not require delays beyond those required by withholding itself. Provide that interstate income withholding must be made available through private counsel and pro se
- require that all states provide a procedure for establishing paternity in interstate cases through their URESA systems
- require that all states provide for the collection of arrears through their URESA system

6. Require that OCSE establish and states meet performance standards with respect to timely intake, initiation of an enforcement action or action for a support order, and

distribution of funds collected. In addition, OCSE should be required to issue performance guidelines with respect to good practice in the enforcement of support obligations and the advertising of agency services. Even if these are not made mandatory at the present time they will provide a useful tool for agencies to use to measure themselves by and for advocacy groups to use in measuring the quality of services provided by their local agencies.

7. Require that a study be done of those 3.7 million families who are theoretically eligible for child support but who have no support award to identify the reasons they have no award--e.g. unaware paternity determination services available,cannot afford services, applied for services and were turned down or not served successfully, do not know location of absent parent or wish no contact with the other parent--so that methods can be devised for better serving this group of families.

8. Remove the costs of paternity determinations from administrative costs for purposes of determining incentive payments.

Preliminary Comments on H.R. 1720

We appreciate the direction of most of the proposed changes in the child support provisions in H.R. 1720 but will have some suggestions to improve them or make them fairer. There are several with which we disagree.

1. We generally agree with the requirements for performance standards in the handling of child support cases and with the exclusions of paternity determination costs and the costs of interstate demonstration projects from the calculation of incentive payments. We also endorse increasing the disregard in AFDC cases to $100.

2. We strongly oppose any requirement that the state determine the paternity of all children. We would leave the determination of when it is in the child's best interest to have paternity determined in the hands of the child's mother. Certainly there are many cases when it is patently not in the child's best interest to have paternity formally established; this is true, for example, in cases of rape and incest. It is our belief that the major problem in this regard today is in mothers' lack of access to services to prove paternity--e.g., slow IV-D intake, slow or no processing of paternity cases by many IV-D agencies, lack of awareness of the availability of IV-D services--which is the major problem causing failure to determine paternity in significant numbers of cases. Until these problems are remedied it is entirely unclear there is any further problem at all.

3. We do not favor mandatory child support guidelines which must be applied without any application of discretion by the decision-maker in every case. A more sensible and fairer approach in our view is to treat guidelines as rebuttable presumptions with the decision-maker required to make findings of fact on the record if fairness requires deviation from the guidelines. We are not yet ready to endorse even this approach, however. Our concern is a very pragmatic one. Support awards are currently too low. We hope guidelines will require higher awards. But until October comes and we see that they have done so we are reluctant to suggest requiring even a rebuttable presumption in their favor.

4. We favor periodic updating of support awards through either reapplication of guidelines or cost- of- living increases or both. However, although we agree with its intent, the proposal in Section 501 does not quite make sense to us as it does not seem possible to reapply guidelines by default--i.e. one must have current income data on the absent parent in order to reapply a guideline. One cannot propose an increase based on a guideline without knowing parental income. One can propose a cost-of-living increase on a default basis however, and perhaps that was what was contemplated by Section 501 (a) and (c). It should be understood that it will generally take a new hearing at which the income of both parties is determined in order to reapply the guidelines. While this is the fairest approach to updating, the burden on the courts and administrative agencies should certainly be taken into account. Perhaps there could be a combination with a cost-of-living increase using a default procedure every 18 months and a full hearing to reapply the guideline every three years.

5. We endorse a requirement that each state establish a clearinghouse for tracking and monitoring support payments. However, we believe that if both parents agree they wish to opt out of the system they should be able to do so. Either parent should be able to choose to opt back in at a later time. We do not see a likelihood of a public burden arising from this exception.

6. We are extremely concerned that visitation and support not be linked. Thus, while we are not inherently opposed to research and demonstration related to improving visitation problems, we do oppose locating such projects in OCSE. A preferable locus is the Children's Bureau of the Department of Health and Human Services which has previously supervised research and demonstration projects on child custody disputes, parental kidnapping and child abuse. At this time, demonstration projects in all 50 states seems excessive. Funding for an academic research project on causes and solutions to visitation disputes coupled with a small number of demonstration grants to projects utilizing a variety of approaches in order to determine which approaches are successful would be more appropriate.

Chairman **Ford**. I have so many papers before me. Mr. Kammer, I am sorry. You are recognized. Would you pull the mike up in front of you, please.

STATEMENT OF JACK KAMMER, EXECUTIVE DIRECTOR, NATIONAL CONGRESS FOR MEN

Mr. **Kammer**. Thank you, Mr. Chairman.

I will begin with a specific comment on one section of the welfare reform plan and, since you mentioned to the previous speaker that you like to hear good things, I could, if you wanted me to, stop and point out a couple of other things that I like about the plan.

Chairman **Ford**. We will take the bad as well. We will take it all.

Mr. **Kammer**. I will make specific comments on one section but then you will find that the bulk of my remarks will address the broader social context in which we find ourselves grappling with welfare.

Instead of commenting on the adequacy of your new system, which I believe generally to be a commendable one, I would like to present ways we can lessen the burden on whatever system we decide to have.

If I may be allowed a metaphor, I find myself being asked to comment on the design of a new flood control system when what I would really like to do is suggest that we can build our community on higher ground.

I will talk in a few minutes about the natural protective properties of fatherhood, and all of the things that we, as a society, do to erode them and flush them away.

My one specific comment about the welfare reform plan deals with section 5, and its call for guidelines in setting support amounts. Generally, we favor the concept of guidelines, but we must caution you on the problem of speculation in speculation out. One thing is clear from virtually every study on the effects of divorce on children. The children who do best after divorce are children who maintain close and continuing contact with both parents. It is, therefore, essential that we encourage and assist the noncustodial parent in maintaining a relationship with his or her child. We, therefore, urge and, in fact, for the sake of our children, we feel we must respectfully demand that a study be commissioned to look specifically at the cost of raising the children of divorce. For instance, if visitation parents have their children every other weekend and for 2 months in the summer, should we not consider the fact that that visitation parent or that access noncustodial parent is going to have to rent a two-bedroom apartment rather than a one bedroom apartment, or require the child to sleep on a sofa or on the floor? Should we not consider the cost of the toys a child must have in order to feel comfortable and happy in his other parent's home? The National Congress for Men welcomes the guidelines as a good idea as long as they reflect the realities of the parent's paying the support and their efforts to contribute more than money to their children.

Now, that concludes my specific remarks on the welfare reform plan. The two things, specifically, that I like about the plan are that you are authorizing demonstration projects to determine the magnitude of the visitation problem. That is certainly a good idea. And we like the fact that you are interested in changing AFDC rules which require in half the States that the father leave the household in order to allow welfare to come in. That is certainly commendable.

That will conclude my specific remarks on this plan.

The rest of my comments I would like to direct toward the concept of moving our families away from this flood and toward higher ground.

Underlying this entire discussion on welfare reform is a set of unspoken assumptions about men in general and fathers in particular. Nobody has actually opened their mouth to say any of these things, but I think if we can be honest we can recognize that they are subtly at work in our society and that they have a powerful effect on our thinking.

Whether any of us individually subscribe to these notions is unimportant. These ideas are at work in our society at large, and these ideas, or among these ideas are men are inferior to women in love and nurturance. Children need their mothers more than they need their fathers. There is something inherent in men that causes them to be irresponsible about their children. Raising children is for women. Men do not really care about children. Men are interested only in sex and money.

Women, on the other hand, have a deep-seated natural instinct that makes them care about their children far more than men do. Women are interested in money only because they need it to raise the children the men have left them with.

Most divorces are the men's fault. If a man leaves a marriage, he is abandoning his family probably to chase another woman. If a woman leaves a marriage, she is doing it to liberate herself and to maximize her human potential.

And, finally, that dirty filthy boy got my sweet little daughter pregnant.

Every one of those ideas is rife with prejudice and bigotry and, when we hold them up to public light, we can easily see how false they are. Nevertheless, they are at work in our collective unconscious.

Let me translate them for you into how I feel the young men is hearing them.

So what if I am a father? What is a father? That baby does not need me. I am only a man. Men are not any good for kids. Why stick around and take the abuse? All they want from me is my money, and I don't even have any.

Four weeks ago, Mr. Chairman, I spent 2 hours with a group of young men in a Baltimore middle school. They were considered high risk for teenage pregnancy. I asked them what they would lose if a young woman gets pregnant. They had three answers: one shrugged his shoulders, one of them said money, and the rest said nothing.

That is a sad, sad commentary, Mr. Chairman, that fatherhood is nothing; that the chance for our young males to have loving relationships with children, especially their own children, their progeny is regarded as nothing. But should we be surprised that that attitude exists. Is it just the attitude in the streets? Is it just the attitude of our young men?

We might like to think so, but, clearly, it is not. It is the message of our social structure. It is the message behind custody decisions. It is the message men get when they learn they have no parental leave for the birth of their babies. And, unbelievably enough, it is the message men get when they try to establish paternity and are told that they may not, that paternity is something to be denied, not proudly asserted; that in certain cases only a mother may decide when she wants the father in the picture at all.

And I will interject here that I spoke this morning with an attorney in Knoxville. I understand you are from Memphis. There is an attorney in Knoxville pursuing a case on behalf of a young man who knows that a child, I am not sure whether it is a daughter or son, a child is his and is not being allowed to establish his paternity because it would disrupt the child's life.

Your plan talks about better means for establishing paternity. I would like to suggest to you, Mr. Chairman, that there is no better means for establishing paternity than the desire of the father to have it established. But the Uniform Parentage Act gives him no right to do so. In some States right now, a father could walk into a department of social services, say hello, "I have a baby I want to support and I want to establish my paternity." And he would be told that he cannot, that only the mother may decide whether she cares to have his involvement.

A modification to your plan, Mr. Chairman, is, therefore, required, if I read it correctly, but, perhaps from previous speakers' comments, you are already saying what I would like you to say. It would be the gravest inconsistency for the plan not to require the States to allow fathers to establish their paternity until and unless paternity is regarded as an opportunity for male happiness. As long as paternity is regarded as a quasi-criminality, a burden and a penalty, men will inevitably seek to avoid it. Millions and billions of dollars will be wasted trying to force men into a proposition we will not allow them to enter voluntarily. And when you propose that modification, Mr. Chairman, sit back and listen to the howls of opposition from those who will say that this interferes with the mother's rights. And then ask yourself what else we have done and are doing to fatherhood in order to keep parenting the primary domain of mothers.

Fatherhood is a resource America cannot afford to waste, yet, we waste it every day. With our self-fulfilling prophesies, we tell men that fatherhood is unimportant and then we wonder why men treat it that way.

So far, I have mentioned two ideas we think would improve your plan: No. 1 is the study specifically on the costs of raising children of divorce. No. 2 is requiring States to allow fathers to establish their paternity.

There is a third provision I would urge you to include in your bill. Take 1 percent of the Federal money now spent on child support enforcement and reallocate it to a program of child support encouragement, a program of fatherhood enhancement; a program to overcome the myriad messages in the street that keep men from developing their ability to love their children and, naturally, to provide for them. But there will be opposition to this plan, Mr. Chairman, just as there was opposition to programs to encourage women into business. But it needs to happen.

I can only hope that you and your committee will have the courage to face the need.

Thank you very much.

Chairman FORD. Thank you, sir.

At this time, Ms. Ann Kolker.

STATEMENT OF ANN F. KOLKER, POLICY ANALYST, NATIONAL WOMEN'S LAW CENTER

Ms. KOLKER. Thank you very much, Chairman Ford for inviting us here this afternoon to testify. As you may remember, the National Women's Law Center that I am representing, has been involved for several years in the formulation of child support enforcement policy, and we worked closely with the committee, Representative Kennelly, and yourself and others on the committee in the shaping of the 1984 amendments. We are glad to revisit child support enforcement today to consider further improvements in the program.

We believe that any welfare reform proposal must have three components: an adequate income maintenance standard, set at least the Federal poverty level, which will provide a decent standard of living for all people; noncoercive employment and training programs which will give those able to work a meaningful opportunity, including the provision of the necessary support services, and, of course, a child support enforcement program, which will ensure that parents fulfill their obligations to their children.

Clearly, enhancing child support enforcement is an integral part of welfare reform. But, I must make it clear that even fully successful enforcement will leave many children in need. The stark reality is that, even after the strongest, most comprehensive and timely enforcement techniques have reached the many noncustodial parents who can pay support, but have evaded their obligation, there will be many parents who do not have the resources to support their children adequately. Many such parents are unemployed or disabled, and simply do not have sufficient money under any standards to eliminate their children's poverty. Thus, while child support enforcement is a necessary component of any sound welfare proposal, it is only part of the solution to the economic problems of poor children. It cannot substitute for a more comprehensive and realistic package which recognizes the importance of raising benefit levels and instituting effective and noncoercive employment and training programs.

Bearing this in mind, we are pleased that the bill before us today contains amendments to the child support enforcement program. Several offer the promise of real improvement to families involved.

I am going to direct my remarks primarily to the provisions of the legislation, because others on the panel have given an overview of the 1984 amendments, and how the implementation of those is proceeding.

The proposal to improve the pass-through of child support money collected on behalf of children on AFDC lead the list of significant improvements. We welcome a provision to ensure that children entitled to the pass through receive the payment due them on a monthly basis if a noncustodial parent pays on time. As members of this committee are well aware, since this disregard was first enacted in late 1984, there have been serious problems with timely receipt by the children. States have held onto to support payments collected for several months, particularly a problem in interstate cases, and then passed along only $50 to the child, denying the child the $50 due him or her for the previous months in which support payments were collected.

We are also pleased to see that the proposal before us increases the pass-through from $50 to $100. The additional $50 which each child stands to receive when support is being collected is of direct and immediate benefit to the child, and will clearly be of immediate help to many low income families.

I would like now to address the prompt service requirement which some of the other witnesses have also discussed.

We are pleased to see that the bill attempts to address the issue of prompt service to custodial parents seeking assistance in establishing an order locating a noncustodial parent, or enforcing an order, timely assistance to families seeking support is a problem that we continue to hear a great deal about. We receive calls and letters regularly from custodial parents who are told that there is a waiting period of several months before they can receive service. However, we are concerned that the language in the bill does not adequately remedy this problem.

The provision, as drafted, is simply too amorphous to assure that custodial families actually receive more timely service, because there are no minimum standards which the States must meet in providing timely service.

The crux of this provision must be a federally mandated standard which would require States to provide services within a specified time period.

We addressed this problem recently in commenting on some proposed regulations governing the treatment of interstate cases, and we believe that the comments and suggestions made are applicable here. In that context, we suggested that a State making a referral on an interstate case take action within ten days, and take immediate action if wage withholding is requested and the arrearage meets the State threshold of 30 days or less. We believe that the same standard, ten days for most requests, immediate action if income withholding is requested and the State standard for withholding has been met, is appropriate in this context as well. For only with such a specific standard can those in need of timely service have any assurance that service in their State or county will, in fact, improve.

Even if Congress develops standards for timely service, these standards will be ineffective without increased resources within the States to implement the IV-D services.

In the end, a local child support enforcement program's ability to establish orders promptly, locate parents quickly and enforce orders before several months arrearages accrue is dependent on an adequate number of people to handle the caseload.

Caseworkers with caseloads of hundreds of clients will never be able to meet the strict timeliness of standards because they simply cannot handle a workload of that size.

Surely, States must provide additional resources, but it is absolutely critical that the Federal Government at this time not reduce the flow of Federal child support funds to the States. Indeed, we are opposed to the administration's provisions which move in this direction, and we hope the committee will reject them as well.

Another provision which offers a promise of more effective service to custodial families is the requirement that States adopt an automatic tracking and monitoring system. We supported this provision when the committee considered the child support enforcement amendments several years ago, and we are glad to see that the committee proposes making this provision, now available at State option, mandatory. It is critical to the effective provision of services.

On the issue of guidelines, we find the provisions as drafted confusing and troubling. Current policy requires States to develop guidelines which need not be binding on judges or other decisionmakers. The legislation eliminates the State's discretion in this area and replaces it with the requirement that the guidelines be mandatory; that they be applied uniformly in every case, regardless of the facts and unique circumstances of the situation.

We are vigorously opposed to this approach. Even with the most carefully crafted guideline, which is sensitive to the widest range of factors, there will inevitably be cases where one of the parties could be harmed by rigid application of a guideline. Hence, we believe that the more sound and fair approach is to require that the States adopt a guideline as a rebuttable presumption. We hope that this is what the committee intended, and that an appropriate change will be made.

Moreover, in some States, certain categories of individuals have not had their particular circumstances included within the reach of the guidelines. Most notably, very low income families, or families on AFDC, have sometimes been removed from the guidelines to be considered on an ad hoc basis. Although, as stated above, an individualized assessment is sometimes necessary, the total removal of some types of cases from the guidelines is inappropriate, and could lead to arbitrary treatment of these cases. Before guidelines are made even a rebuttable presumption, Congress should ensure that all kinds of cases are included within their reach.

We also favor the automatic updating of all awards, but suggest some slight changes in the way the bill is drafted. We think it is unwise for the legislation to single out one factor, the increase in the noncustodial-parent's income, even just by example, and suggest that the provision instead be developed in a little more general way simply to require that the States have a process for modification in place.

In addition, depending on the means of modification which the States select, the process for notifying all of the parties should be inclusive and should reach both the custodial and the noncustodial parent.

Finally, the modification process must be expanded to cover the updating of the guideline itself, as well as the award levels. This is particularly important in States which use a guideline which contains fixed dollar amounts. For example, the Nelson formula, developed in Delaware and under consideration in several other States, designates a minimum self-support allowance tied to the poverty level, which each parent can deduct from his or her income in calculating an award level. Since the poverty line rises annually, the self-support allowance must be modified upwards as well.

The proposal to mandate the establishment of paternity raises several concerns. To the extent that the proposal is an attempt to deal with the recalcitrance of many State IV-D agencies to proceed with the establishment of paternity on a timely basis, the intent of the provision is laudable; however, we share the concerns expressed earlier that the provision, as drafted, could be read to require the establishment of the paternity of all children in the State, even in situations where the State has no interest and the family is self-supporting.

We think this is unwarranted and an intrusion into family decisionmaking and privacy. Our other concerns about paternity are spelled out in our written statement. So let me just conclude with a couple of words about the visitation provision.

Generally, we believe that when visitation problems arise, it is useful for both parents and for the children to have mechanisms by which the problems can be considered. However, we are concerned about the demonstration grants approach taken in the proposed legislation, because no standards are included to ensure that the demonstration grants produce effective models for addressing visitation issues. For example, would a State be allowed to establish a project that denied child support where visitation was impeded? If such grants are to be meaningful to children, further protection should be included. There is certainly a need to develop creative means of helping parents who do not live together address the problems that sometimes arise over seeing the children. And we hope that any demonstration grants authorized by this legislation can help to move that process forward rather than to exacerbate the problem.

Thank you very much.

Chairman FORD. Thank you very much.

[Statement of Ann F. Kolker follows:]

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CHILD SUPPORT ENFORCEMENT
STATEMENT OF ANN KOLKER
NATIONAL WOMEN'S LAW CENTER
BEFORE THE
U.S. HOUSE WAYS AND MEANS COMMITTEE
PUBLIC ASSISTANCE SUBCOMMITTEE
MARCH 30, 1987

Chairman Ford and other members of the Committee, thank you very much for inviting me here this afternoon to testify on child support enforcement. My name is Ann Kolker and I am a policy analyst with the National Women's Law Center. As you may remember, the Center has been involved for several years in the formulation of child support enforcement policy. Most recently, we worked closely with you, Representative Kennelly and others on the Committee, and members of your staffs, to help shape the Child Support Enforcement Amendments of 1984. We were pleased not only with the results we achieved when those important amendments were finally enacted, but also with the outstanding leadership which this Committee provided on that effort. It is a pleasure to return again today to revisit child support enforcement to consider further improvements which can be made in the program. We look forward to continuing to work with the Committee in this next round of attention to the child support enforcement program, as well as to broader issues of welfare reform.

We believe that any welfare reform proposal must have at least three components: (1) an adequate income maintenance standard, set at least at the federal poverty level, which will provide a decent standard of living for all people; (2) a non-coercive employment and training program which will give those able to work a meaningful opportunity -- including the provision of the necessary support services -- to achieve self-sufficiency; and (3) a child support program which will ensure that parents fulfill their financial obligations to their children.

Clearly, enhancing child support enforcement is an integral part of welfare reform. However, it is also clear that even fully successful enforcement will leave many children in need. The stark reality is that even after the strongest, most comprehensive and timely enforcement techniques have reached the many non-custodial parents who can pay support but have evaded their obligation, there will be many parents who do not have the resources to support their children adequately. Many such parents are unemployed or disabled and simply do not have enough money, under any standard, to eliminate their children's poverty. Thus, while child support enforcement is a necessary component of any sound welfare proposal, it is only part of the solution to the economic problems of poor children. It cannot substitute for a more comprehensive and realistic package which recognizes the importance of raising benefit levels and instituting effective and non-coercive employment and training programs.

Bearing this caveat in mind, we are pleased that H.R. 1720 contains amendments to the child support enforcement program. Several offer promising improvements for women and their families entitled to receive support; others could profit from revision and refinement in order to benefit fully the families they are designed to assist.

The proposals to improve the pass-through of child support monies collected on behalf of children on AFDC lead the list of significant improvements. First, we welcome the provision to assure that children entitled to the pass-through receive the payment due them on a monthly basis if the non-custodial parent pays on time. As members of this Committee are well aware, since the $50 disregard was first enacted in late 1984 there have been serious problems with timely receipt by the children. States have held on to support payments collected for several months, particularly in interstate cases, and then passed along only $50 to the child, denying the child the $50 due him/her for the previous months in which support payments were collected. The proposed provision which requires payment of the pass-through if the non-custodial parent pays on time will ensure that children receiving AFDC get the benefit of the $50 pass-through each month that support is collected for them -- a welcome improvement over current practices. Second, we are pleased to see the proposal to increase the pass-through from $50 to $100. The additional $50 which each child stands to receive when support is being collected is of direct and immediate benefit to the child -- and will clearly be of immediate help to low-income families.

We are very pleased to see that the bill attempts to address the issue of "prompt service" to custodial parents seeking assistance in establishing an order, locating a non-custodial parent, or enforcing an order. Timely assistance to families seeking support is a problem that we continue to hear a great deal about. We receive calls and letters regularly from custodial parents who are told that there is a several month waiting period, or that they would be better off retaining private counsel because the agency is too overloaded to take on any more cases. The language in the bill makes an effort to remedy this problem by requiring that the states "establish time limits governing the period or periods within which a state must (1) respond to the requests for assistance in locating absent parents to establish paternity, and (2) begin proceedings to establish child support awards."

We are concerned, however, that the provision as drafted is simply too amorphous to ensure that custodial families actually receive more timely service. Most importantly, there is no minimum standard which the states must meet in providing timely service. The crux of this provision must be a federally mandated standard which requires states to provide services within a specified time period. We addressed this problem recently when we commented on the Office of Child Support's proposed regulations governing the treatment of interstate cases. In that context, we suggested that a state making an interstate referral take action within 10 days of receiving a request from a custodial parent. If the request is for income withholding and the case meets the requirements for mandatory income withholding -- 30 days or less depending on state law -- then the income withholding provisions of the statute require that the state take action immediately. We believe the same standard -- 10 days for most requests, immediate if income withholding is requested and the state standard for initiating withholding has been met --is appropriate in this context as well. Only with such a specific standard can those in need of timely service have any assurance that service in their state or county will in fact improve. Without a federally-mandated standard, the timely service provision is essentially meaningless. Finally, as drafted the provision only covers location of absent parents for purposes of establishing paternity, and establishment of child support awards. Enforcement actions are of course equally important. Hence the provision should be amended to include enforcement actions, with language that makes clear that all IV-D services are within its mandate.

Even if Congress develops standards for timely service, these standards will be ineffective without increased resources within the states to implement the IV-D services. In the end, a local child support program's ability to establish orders promptly, locate parents quickly, and enforce orders before several months of arrearages accrue is dependent on an adequate number of people to handle the caseload. Caseworkers with case loads of hundreds of clients will never be able to meet strict timeliness standards, because they simply cannot handle a workload of that size. While certainly states must commit to increasing their funding for the child support enforcement programs within their boundaries, the federal government, too, must, at a minimum, retain current funding levels. At this critical time it is certainly not helpful to reduce the flow of federal child support funds to the states as the Administration has proposed. Indeed, even federal funding cutbacks in other human services programs can adversely affect states' ability to provide sufficient funding for their child support programs, as they must direct additional state resources to offset reduced federal funding to critical state services. In sum, the issue of timely service is also affected by the availability of sufficient resources -- and any meaningful effort to ensure more timely establishment and enforcement of support must acknowledge the importance of adequate federal funding to state and local programs.

Another provision which offers the promise of more effective service to custodial families is the requirement that states adopt automatic tracking and monitoring systems. Now optional to the states but mandatory in the proposed legislation, these tracking and monitoring systems are essential to the effective enforcement efforts. Only if a local enforcement program can maintain accurate records of payments made, keep up-to-date information about both custodial and non-custodial parents and track arrearages, can custodial families be assured that the enforcement agency is capable of making timely efforts on their behalf. During the debate on the 1984 amendments, we supported mandatory tracking and monitoring systems for the states, and we are pleased that the Committee appreciates the importance of these systems by proposing once again that all states be required to maintain them. We urge the prompt adoption of this provision.

On the issue of guidelines, we find the provisions as drafted confusing and troubling. Current policy requires states to develop guidelines which need not be binding on judges or other decisionmakers. The legislation eliminates the states' discretion in this area and replaces it with the requirement that guidelines be mandatory -- that they be applied uniformly in every case, regardless of the facts and unique circumstances of the situation. We are vigorously opposed to this approach. Even with the most carefully crafted guideline which is sensitive to the widest range of factors, there will inevitably be cases where one of the parties could be harmed by rigid application of a guideline. Hence, we believe that the more sound and fair approach is to require that the states adopt their guideline as a rebuttable presumption. This will ensure application of the guidelines on a widespread basis, but provide the necessary flexibility in cases where the facts of an individual case suggest that strict application of the guideline would produce inequitable results. We hope this is what the Committee intended and that the appropriate change will be made.

Moreover, in some states certain categories of individuals have not had their particular circumstances included with the reach of the guidelines. Most notably, very low-income families or families on AFDC have sometimes been removed from the guidelines, to be considered on an ad hoc basis. Although, as stated above, an individualized assessment is sometimes necessary, the total removal of some types of cases from the guidelines is inappropriate and could lead to arbitrary treatment of these cases. Before guidelines are made even a rebuttable presumption, Congress should ensure that all kinds of cases are included within their reach.

The automatic updating of awards is a concept that we endorse. However, the bill only discusses "changes which might have occurred in the absent parent's financial circumstances and in other circumstances." While certainly changes in the non-custodial parents' income are one of the circumstances which constitute grounds for modification, we are unclear why the bill articulates only one of several circumstances which constitute grounds for modification. We think it unwise for the legislation to attempt to single out, even just by example, one factor as a criterion for modification and suggest instead that the provision simply require that the states have a process for modification in place.

In addition, depending on the means of triggering modification which the states selects, the process for notifying all the parties involved must be inclusive, rather than just requiring notification of the non-custodial parent, as the bill does. If the state agency initiates the review process, then both the custodial and non-custodial parent must be notified. Similarly, if either parent initiates the process, the notice must be sent to the other parent. These changes would ensure due process to all parties to the case.

Further, the modification process must be extended to cover the updating of the guideline itself as well as the award levels. This is particularly important in states which use a guideline which contains fixed dollar amounts. For example, the Melson formula developed in Delaware and under consideration in several other states designates a minimum self-support allowance pegged to the poverty level which each parent can deduct from his/her income in calculating an award level. Since the poverty line rises annually, this self-support allowance must be adjusted upwards as well.

The proposal to mandate the establishment of paternity raises four concerns. To the extent that the proposal is an attempt to deal with the recalcitrance of many state IV-D agencies to proceed with the establishment of paternity on a timely basis (or to proceed at all), the intent of the provision is laudable. However, our first concern is that the provision as drafted could be read to require the establishment of the paternity of all children in the state. Such a requirement, where the family has no connection with the IV-D or AFDC systems[1] and is self-supporting, is wholly inappropriate and an unwarranted intrusion into family decision-making and privacy. Second, we are unclear about the import of the language "within the State." To the extent that it might be read to remove any state obligation to pursue paternity in interstate cases, we oppose such a limitation. Third, we support the clarification that the state is obligated to pursue paternity for children who had not attained the age of 18 on the date of enactment of the Child Support Enforcement Amendments of 1984 -- thereby rendering the lengthening of the statute of limitations for paternity cases accomplished by those amendments applicable to a greater number of cases. We are concerned, however, about the potential limiting import of the language "but in any event prior to such child's eighteenth birthday. " Current HHS regulations make clear that states must allow paternity suits to be brought at least to the date of the child's 18th birthday, thereby permitting paternity to be established after that birthday in states which permit child support awards to continue beyond age 18. This is an important provision, particularly for disabled children, which could be deemed eradicated by the proposed change in statutory language. Either the language should be changed or legislative history should clarify that it was not intended to remove the option of establishing paternity after the child's 18th birthday. Fourth, a requirement that states pursue paternity means little without some mandatory time frame for state action in establishing paternity. Such time frames -- which should parallel the ten-day requirement for initiating other child support services discussed above -- should be included in the legislation and should apply to cases already in the IV-D pipeline as well as to new paternity cases.

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[1] Individuals who voluntarily apply for IV-D services and have not established paternity are obviously in need of such services. AFDC recipients, who are required under Section 402(a)(26) to assign their right to child support to the state, are protected under 402(a)(26) from cooperating in the establishment of paternity if they have "good cause."

Another issue which the bill addresses is visitation. Generally, we believe that when visitation problems arise it is useful for both parents, and for the children, to have mechanisms by which the problems can be considered. However, we are concerned about the demonstration grant approach taken in the proposed legislation because no standards are included to ensure that the demonstration grants produce effective models for addressing visitation issues. For example, would a state be allowed to establish a project that denied child support where visitation was impeded? If such grants are to be meaningful to children, further protections should be included. There is certainly a need to develop creative means of helping parents who do not live together address the problems which sometimes arise over seeing the children, and we hope that any demonstration grants authorized by this legislation can help to move that process forward rather than exacerbate these problems.

Chairman Ford. The Chair recognizes Mr. Levy.

STATEMENT OF DAVID L. LEVY, PRESIDENT, NATIONAL COUNCIL FOR CHILDREN'S RIGHTS, INC.

Mr. Levy. Thank you, Mr. Chairman.

The National Council for Children's Rights is a nonprofit organization. We have a nationally prominent advisory panel, about half of whom are women. They include people such as Debbie Stabenow, chairperson of the Mental Health Committee in the Michigan House; Dr. Carol Stack, urban anthropologist; Dr. Joan Berlin Kelly, coauthor of "Surviving the Breakup", and U.S. Senator Dennis DeConcini, a member of the Senate Children's Caucus.

Our membership consists primarily of mental health professionals, pre-court trial services and mediators. I would estimate that about 20 percent are parents, about half of whom are fathers and about half of whom are mothers.

I just returned from Los Angeles, where I gave two workshops, and participated in a panel at the Third National Parenting Symposium to try to improve parenting.

We welcome your drive for welfare reform to help make families more self-sufficient. We particularly want to address the access—visitation—provisions of the bill.

I understand your committee staff is recommending that access mediators be one of the ways that models could be tested. We thank you for accepting our recommendation to consider using the word "access". Noncustodial parents are not just visitors in their children's lives, and access focuses on the child's rights as well as the parents.

We would suggest, however, that the drive to test the magnitude of visitation problems and to test models has already been done. Any judge, master or referee who handles custody matters in this country can already tell you that there is an epidemic problem with visitation, affecting both custodial and noncustodial parents. And the research is quite extensive. Wallerstein and Kelly found interference in 50 percent of cases that they studied. Just one example out of very many over the years is in the Journal of Social Issues, in 1979. The article stated that almost 40 percent of custodial mothers reported they had refused to let their ex-husbands see the children at least once, and admitted this was somehow punitive in nature; 53 percent of the fathers reported such interference with their visitation.

There are numerous studies that we will be glad to show you. The research really has been done in this area.

We have staff for child support in all of the child support offices in the country. We know that staff is the key for child support. People to process the complaints; people to get the payments paid.

I submit that staff is the key to access and visitation. Staff is really the only way to go. How do you do it is up to Congress, whether the staff be part of the Children's Bureau or the Child Support Office, part of the administrative wing of court, separate mediations section, or a branch of a State or county—whatever Congress thinks best. But staff is the key.

There are three jurisdictions right now that have staff handling visitation problems. One is the State of Michigan. You asked why some States are high and some States low in child support collections, Mr. Chairman. Michigan is the highest, collecting more child support per administrative dollar than any State in the country. Figures obtained from HHS in March 1987, the State of Michigan collects $8.33 for every dollar spent to collect support.

Why is Michigan so high? Debbie Stabenow and others tell us it is because they have a family policy in Michigan. They do not only have staff for child support, they have makeup for visitation. They have the friend of the court which handles visitation and custody matters as well. Michigan is also one of the 13 States that has a presumption of preference for joint custody. Measures to keep the parents involved for those children.

Two counties also have staff, Travis County, Austin, TX and Prince Georges County, MD where staff was hired last year at the request of our National Council for Children's Rights.

In Prince Georges County, they report an 80 percent success rate; that is, in 80 percent of the cases access and works better after the counsellor, at the request of either the custodial or noncustodial parent, contacts the other parent to encourage cooperation with the court order.

The average settlement time is an hour and 37 minutes, at an average salary cost of $15. If we had a national success rate even half that, it would be wonderful. We estimate about $30 million to set this up nationwide, a low cost program, but, just as the other programs in this bill that you espouse have on initial cost, the long range is for incredible savings, savings in public supported courts, reduced trauma for kids, and more support collections as in Michigan. Let us have the other States emulate Michigan. Let us encourage them to do so. But not just a small number of test areas.

We know we need staff. Set up a staff any way you like, but let us have this low cost program nationwide. In Michigan, fathers who had little or no contact with their children paid only 34 percent of the child support, whereas fathers in contact paid 85 percent. The study was done by Chambers in 1979.

Wallerstein and Huntington concluded there is a relationship between support and the frequency, regularity and flexibility of visitation.

And Furstenberg and Zill have a national study, stating the same thing.

In my testimony, there is suggested model language for such a bill, to provide for nonbinding mediation of disputes between custodial and noncustodial parents, and, of course, it would not have any bearing on child support. That is an obligation.

We ask that during the markup you please consider this.

I have three other modest suggestions that will cost you nothing, but will improve child support. May I make them briefly?

Chairman Ford. Sure, go right ahead.

Mr. Levy. One is to limit the secrecy rule. It is 42 U.S.C. right now, say a parent is paying support in Maryland, but the custodial parent has secretly taken the child to Tennessee, or any State, and hides the child. The custodial parent applies for and receives welfare. Officials in Tennessee then collect reimbursement for welfare in the form of child support from the noncustodial parent in Maryland. That parent has to pay but does not even know where the child is being hidden. The Federal secrecy rules in the parent locator service forbid that information.

Now, if there is a reason for secrecy, let the custodial parent apply to a court or agency for the secrecy. But let us have an assumption or presumption on accessibility and parenting. How long do you think noncustodial parents are going to keep paying when they cannot even know where their children are? The sadness in their eyes, according to people who have talked to them, is incredible. It would take a simple change in the secrecy rule.

Secrecy was designed to protect us from big brother, not to have the Federal Government pay welfare to hide our children.

The second thing is joint custody in AFDC. HHS has made clear that the type of custody you have does not affect welfare. And truly, with joint custody, you generally have more income available to the child. That is one of the points of joint custody. But you can have poverty, even in joint custody.

Michael Harrington's column in the Washington Post several weeks ago in February 1987, on "The Invisible Poor: White Males", and the Census Bureau stating that there are now more couple-headed and male-headed households in poverty than female-headed households in poverty is a statistical refutation to Lenore Weitzman's very skewed review of a small number of high income, long married families in one high income county in California, poverty can exist no matter what kind of a custody arrangement you have.

I think a simple one sentence change to 42 U.S.C., would reinforce the view that Congress is not seeking to deny welfare regardless of what type of custody arrangement you have. In any instances where State welfare officials have tried to block welfare because it is joint custody, the courts in each case have overruled them.

We would like to stop those collateral attacks on welfare because children are lucky enough to have two parents involved with the family of divorce.

And the third thing I would suggest is throughout 42 U.S.C., you are talking about absent parents. It has been mentioned at this table here today. Words have power. Let us change "absent parent", just a simple mark-through in the bill, "absent" to "noncustodial." Keep "absent" in there the one or two times the parent is really absent, but, if we are talking of noncustodial, let us go with noncustodial. Let us get with the language of the 1980's.

Read about the little 8-year-old girl in Isolina Ricci's book, "Mom's House and Dad's House." A businessman asked her on a plane, "Where do you live?" She said, "Mom's House and Dad's House." How can a parent be paying and still be absent? With children of divorce, the child has two homes, two parents. Absent sends a message "be absent." Why do we not send a message, "be present."

Thank you.

[Statement of David L. Levy follows:]

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March 29, 1987

The Honorable
Harold Ford
Chairman, Public Assistance Subcommittee
House of Representatives
Washington, D.C. 20515

Dear Chairman Ford and Members of the Subcommittee:

Our National Council for Children's Rights believes that your welfare reform bill is a positive step towards family self-sufficiency.

We are particularly concerned about the provision to encourage states to identify visitation problems and to test possible solutions, including but not limited to the creation of special staffs of mediators to deal with child access complaints.

We are happy that you are using our recommended term of "access" rather than visitation. Non-custodial parents are not mere visitors in their children's lives, and access focuses on the child's right to the access and nurturing of two parents, not just the parents' right.

We are concerned, however, about the limited scope of this provision: to test the magnitude of the problems and to test possible solutions.

With all due respect, this would be like studying the magnitude of the child support problem.

Visitation problems are a national epidemic. Virtually any judge, referee or master who handles custody cases anywhere in the country can tell you that.

The studies done by Wallerstein and Kelly, and various other researchers indicate problems with visitation in 25% to 50% of cases nationwide. Our National Council would be happy to provide this data to the Committee, at your request.

We already have model jurisdictions that show how to handle visitation problems. The leader is the state of Michigan, which has Friends of the Court that handle visitation complaints, among other matters, in counties throughout the state. By paying attention to access (visitation) issues, make-up of visitation, and related matters, Michigan has the highest child support collections per administrative dollar in the the country--the latest figures show $8.33 collected in child support in Michigan for every dollar spent to collect.

Michigan, like model counties in Austin (Travis County) Texas, and Prince George's County, Md. show that the solution is to have staff handling visitation, just as we have staff handling support issues. Administrative staff is the key.

If Congress wishes to allow discretion to states as to whether to have staff assigned in child support offices, as part of court services, as part of a mediation branch, or whatever, that would be fine, so long as the federal government will fund at the same ratio as it does for child support collections.

But your wish to possibly allow latitude to the states as to where they physically locate their staff, should not blind us to the imperative need--right now--for administrative staff to handle access complaints throughout the country.

Not just in a small number of test areas, but everywhere, to encourage family self-sufficiency.

Either the custodial or non-custodial parent could file a complaint with such a counselor. The counselor would contact the other parent, in order to voluntarily induce cooperation with court-ordered visitation.

This would be a gentle, positive approach, but would send a powerful message: that court-ordered visitation is to be complied with.

In a study by Jessica Pearson and Nancy Thoennes, HHS Grant No. 18-P-0026208-01 (1984), it was reported that "fathers who had little or no contact with their children after the divorce paid only about 34 percent of their child support, while fathers in regular contact paid 85 percent (Chambers 1979). Wallerstein and Huntington (1983) assess the child support payment patterns of 60 families following separation and conclude that there is a relationship between the frequency, regularity and flexibility of visitation and the payment of child support which emerges at 18 months post separation and holds over the 5 year period of their study. And in a national survey, Furstenberg and Zill (1983) find a positive relationship between the provision of child support and the frequency of contact with the child."

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We suggest that the subcommittee prepare a bill with the following sample provisions:

Each state shall:

1. provide for the nonbinding mediation of disputes between custodial and noncustodial parents (and between custodial parents and other persons) relating to court-ordered child access privileges and involving violations or alleged violations of the provisions of the relevant court orders which deal with such privileges; and
2. establish and maintain a special staff of access mediators;, within the State child support agency and its field offices, to conduct the mediation described in section 1.
3. Such mediators shall be empowered to mediate any dispute only at the express request of an individual having court-ordered child access privileges in the case involved, and shall not have any investigatory powers or any power to condition the rights or privileges of any person upon his or her compliance with the results of the mediation.

We ask that, during markup of the welfare bill, provisions such as the above be added.

Like many items in the proposed welfare reform law, access counselors would have an initial cost (we estimate $25 to $30 million nationwide), but in the long run, welfare costs should decrease as child support and parental involvement go up.

Ladies and gentlemen of the subcommittee: we must do more to encourage family strengths. We must reduce the popularity of divorce if we can, but if divorce occurs, we must provide children with better parenting, so as to help kids fight drugs and other problems. Encouraging family self-sufficiency, whether for intact or divorced families, will have important dividends for the entire country.

I suggest several other modest changes in the proposed bill. All would require changes in 42 U.S.C. They are:

1. Limit the secrecy rules of federal and state child support offices. The visitation counselors in Prince George's County say that the saddest cases they handle is where a non-custodial parent is paying support to a child in another state but doesn't know where the child is. The situation arises where a custodial parent hides the child in another state, applies for welfare, then welfare officials collect against the non-custodial parent. The non-custodial parent is paying support, but secrecy rules prohibit letting him know the whereabouts of the child. Secrecy rules were meant to protect us from Big Brother, not to hide our children. If there is a good reason for secrecy, the custodial

parent can petition the court for secrecy. The presumption, however, should be on innocence and accessibility--especially where you are paying support. Not only do we aid kidnapping with welfare money, but how long do you think a non-custodial parent will pay support for a child he doesn't know the whereabouts of? We discourage child support with this policy. A simple change in the Federal Parent Locator Service phraseology, 42 U.S. Code, Sec. 653, would probably be sufficient to remedy this on the federal level.

2. Make clear in federal law (42 U.S.C.) that joint custody is not a bar to welfare. Poverty should be the key, not the kind of custody arrangement one has on paper. Despite federal HHS stating that joint custody is not a bar to welfare, some state officials, in interpreting the need for "absence" from the home, and saying joint custody means two reporting households in one month, have sought to bar welfare for a joint custody parent. Now joint custody usually means more income is available for the child, which is one of the advantages to joint custody. But in some cases, there can still be poverty. Michael Harrington's article in the Washington Post on Sunday, Feb. 15, 1987 talked about "The Invisible Poor: White Males." And The Census Bureau reports there are now more couple-headed and male-headed households in poverty than female-headed households in poverty, a statistical refutation to Lenore Weitzman's very skewed figures of one set of long-married, high-income parents in one wealthy California County. Joint custody does not mean there is not poverty. Clearly, we should not penalize people because of the type of custody arrangement they have--sole or joint. The test should be whether the children are receiving sufficient parental income and support. We should not force people to choose sole over joint custody, with the greater problems in child-rearing and child support associated with sole rather than joint custody. A change in 42 U.S.C. Sec. 601 et seq. could remedy this problem. For further background, please see "Joint Custody Arrangements and AFDC Eligibility" (Clearinghouse Review, May, 1984) by James W. Johnson, a staff attorney at the Center of Social Welfare Policy and Law, New York. I think a simple, one-sentence affirmation of Congress's intent in the welfare reform bill might clarify this problem.

3. Make a simple re-wording of federal law to change "absent parent" to "non-custodial parent." Words have power; and the word "absent" should not be used except in cases where a parent is truly missing. To call a parent "absent" just because he or she is non-custodial misses the changed lives of

children today. Children of separation or divorce today have two homes--as the 8 year old girl said in Isolina Ricci's book, "Mom's House and Dad's House." Calling parents "absent" encourages them to be absent. Surely that is not what we want to encourage. A change in 42 U.S.C. could accomplish his.

Thank you, on behalf of the children of America.

Sincerely yours,

David L Levy

David L. Levy, Esquire
President, NCCR

Chairman FORD. Thank you. Virginia Nuta. I hope that I am pronouncing your name correct. I do not know.

STATEMENT OF VIRGINIA R. NUTA, DIRECTOR OF PUBLIC AFFAIRS, PARENTS WITHOUT PARTNERS

Ms. NUTA. Thank you. You are absolutely correct, and you are one of the few people who got it right the first time.

Chairman FORD. Thank you.

I am Jinny Nuta. I am from Parents Without Partners. I thank you for having me here today.

We have submitted a somewhat lengthy written statement, so I just want to highlight it, and, also, I want to highlight a report of our child support hotline project that we have been carrying out for the last 2 years. And I will explain how it relates to the 1984 amendments and various proposals.

We are a nonprofit membership organization of 180,000 single parents, both custodial and noncustodial parents. About 2 years ago, we started to use our toll free numbers as a way to refer parents to child support organizations. As months went by, more and more parents started calling, and we eventually found ourselves in the counseling business. Since November 1985, we have counseled 2,900 parents, who called us with child support problems.

Our calls came in from all 50 States and Puerto Rico and the Virgin Islands. Our callers were mostly women. A few were men, some were grandparents and sometimes children called us. The occupations of the parents ranged from disabled welfare recipients to mid-management executives. Some were working two, or even three jobs to keep going. Some were facing eviction or foreclosure. Even the more affluent were concerned about college costs and, in the middle, parents were concerned about such things as orthodonture and shoes.

By talking to these parents, we have become very sure of certain key ideas when it comes to child support enforcement for both welfare and nonwelfare families. And, first of all, we think it is important to emphasize that a child support system must deal with both.

Six percent of our callers were on welfare at the time they called. But more had earlier been on welfare and many more were concerned about being forced onto welfare if they could not collect support.

All of these parents told us they needed child support to be self-sufficient, because they could not earn enough on their own to support their families. So families may come onto the welfare rolls because they do not get child support. They may leave when it comes in. They might have to come back if the child support stops.

We know that child support is an endeavor for all families, so we want to see continued the commitment to both types of families that were underscored in the 1984 amendments, and that includes retaining the incentive funding for nonwelfare collection.

Another thing that we know is that the work to implement the 1984 amendments is not yet complete. We do believe there has been progress because, as time passed, we have begun to hear more and more about wage withholding, less and less about denial of services, and more awareness of the existence of IV-D child support services. And not all of the States have completed their complying legislation and, even more important, we have seen there are problems in using these provisions at the State and local level because all of the laws on the books do not guarantee they will be used, unless there are trained people in local offices who are willing to use them.

This is a more difficult problem and it is very tempting for some to look for some fancy new legal change to bypass the need for people, but we do not think this is possible.

Therefore, we are most concerned to see that the Federal Government retains a strong presence on overseeing States and their compliance, and in continued use of penalties for States that are not adequately providing services. And we are also concerned that the Federal office retain its identity as a strong program.

We also want the funding provisions of the 1984 amendments continued. And we have been most distressed at administration proposals that would cut back funding for the States.

We also believe that it is appropriate for the Federal Government to provide adequate training and technical assistance to the States, and this includes funding for special projects, and especially interstate cooperation. Interstate problems were 51 percent of all of our calls.

We know that adequate staffing in the States is still a problem. We continue to hear from parents who encounter delays in making application, sometimes as long as 6 months just to get in and fill out a form.

We also hear from parents to whom wrong information is given, who are not informed of tools that can be used to help them. Twenty-seven percent of our problem calls were from parents who encounter access problems. And another 41 percent of problem calls for problems in working with agencies where there were delays, lost paper work and just an endless number of bureaucratic problems.

We would like to see an effort made to deal with this, whether it is staffing guidelines or the kind of time limits you have suggested, because time limits would require staffing to meet them. And we would also like to see attention paid to the possibility that some States are setting quotas for services.

We are in favor of requiring automated State clearinghouses to track support cases. Automation is a necessity in making sure cases move smoothly and that available tools are being used appropriately.

While the Federal office is now asking States to set up clearinghouses to track interstate cases, and this is a requirement we support, we think the clearinghouse concept is important for intrastate cases as well.

We would like to see such a requirement backed up with adequate time lines and technical assistance from the Federal office. In our view, an important part of the Child support program that is often overlooked is parent locating. This is a major problem for parents calling us, both before opening cases and after. And it is a primary inhibiting factor for those who are calling us in interstate cases. In fact, in some jurisdictions, even at this time, child support agencies will not open a case at all without an address on the noncustodial parent. And they do not tell the parent about locating services, and sometimes they even refer them to us.

Well, this is not our job. It is their job to do.

We would like to find a way that parents can skip at least one layer in the bureaucracy to get this locating done by perhaps being able to apply directly to State locating units.

Second, we would like to see the Federal parent locator granted access to the Department of Labor International system and to interstate law enforcement systems that keep motor vehicle information. This means that they could reach interstate data that is more likely to be current than the Federal information they have. And, also, we would like to see attention given to a recurring problem where employers refuse to give child support agencies the most basic information about their employees who do not pay support. At present, many of these employers believe that privacy laws inhibit their cooperation.

Our callers with paternity cases, 7 percent, have experienced problems in getting paternity established, the kinds of problems you have heard about already.

They are denied services. They are sometimes placed on waiting lists or asked for prohibitive fees that they cannot afford. Or there may not be funds for blood testing.

In Oklahoma, for example, we hear of a 2-year wait for blood testing. That is 2 years that no support can be collected.

We are convinced that funding for paternity establishment needs to be separated from funding for collections activity so that it will not be competing with activities that States are conducting that are more likely to produce quick collections than enhance cost-effectiveness.

Paternity establishment may not be cost-effective right away, but if it is not done, then there will not be any child support collected at all.

Admitting blood testing results as evidence should be required in all States, and it is our understanding that many States have problems in paternity establishment for interstate cases because of ambiguous URESA and MURISA language. And, as for establishing paternity for all children, I would just like to point out that while 99 percent of all of our paternity callers do want paternity established and this is something they are not getting. A small number are uneasy about it, wondering if it is the wisest course in their own circumstances. They are often afraid of abuse, of child snatching; the father may be a drug addict or in jail and they do not want the child to know him. And sometimes they are planning to marry someone who is willing to adopt the child, and they ask us what should they do. And, of course, we just talk about pro's and con's. These are all reasons why it may not be wise to require paternity establishment for all children.

In terms of setting the child support award, we do support periodic updating of guidelines. We think it is also important to guarantee that parents both custodial and noncustodial be able to have the award adjusted periodically, without necessarily showing a change of circumstance. And we also prefer rebuttable presumption for guidelines to mandatory guidelines.

We are also concerned with inadequate publicity. Nearly 70 percent of all our callers were not aware that IV-D services existed. And those who knew about them still had a disastrously incomplete understanding of what the services could do.

We have been successful in talking to these parents about these services and referring them and educating them as to what techniques are most likely to work. And sometimes we even have to make them understand why they will never collect support.

We think that these activities can be performed better at the State level, better than we can do them, and we recommend that each State set up a toll free child support hotline. Some States have done so already. I know of about four.

We are also interested in troubleshooters, and I know that the State of Connecticut, for example, employs a troubleshooter, who helps parents whose cases are stuck.

The benefits to the parents here are obvious, but they will also be benefits to the States because they will be better able to evaluate local efforts.

Finally, we do support funding for studies and demonstration programs on visitation or access problems. For many, many years, we believed that child support and visitation should be distinct items. This does not mean that they both cannot be enforced.

We are most interested in finding out the extent of visitation denial as opposed to lack of visitation that may occur for other reasons. We are also interested in the relationship of visitation denial to child support payments, not just whether there is a correlation, but, if visitation is a causal factor in prompting child support payments, or if the causal factor is the interest in the child that brings about both visitation and child support at the same time.

And, finally, I just want to mention the increase in the disregard is something that we support because it would mean more money for families that need it.

Thank you very much.

Chairman FORD. Thank you, Ms. Nuta.

[Statement of Virginia R. Nuta follows:]

Statement of Parents Without Partners,
Virgina R. Nuta, Director of Public Affairs

PARENTS WITHOUT PARTNERS CHILD SUPPORT HOTLINE
RECOMMENDATIONS ON CHILD SUPPORT PROGRAMS

Parents Without Partners is a nonprofit membership organization of 180,000 single parents in the United States, Canada and Switzerland. Our members are both men and women, both custodial and noncustodial parents, and are separated, divorced, widowed and never-married.

For the past two years, as a public service, we have operated a child support hotline from our headquarters on a toll-free number. This hotline began, two years ago, principally to refer callers to local child support organizations who belong to a network of such organizations we coordinated, but publicity from several women's magazines and television shows caused calls to increase to such an extent that we found ourselves counseling a virtual flood of parents who needed help.

They needed basic information. We found ourselves explaining child support collection techniques, describing the IV-D child support program and their tools. They also, sometimes, needed information to help them overcome bureaucratic obstacles when their cases were "stuck" in the system, and then we found ourselves giving addresses of state and federal officials and helping with effective letter-writing techniques. All callers were mailed factsheets covering basic information, the 1984 Child Support Enforcement Amendments, and one factsheet from the federal government.

Just over a year ago, we began to keep records of the types of calls we received in an effort to track the kinds of complaints we heard. Since November 1, 1985 we have counseled 2,900 callers. We mailed an additional 1300 packets to callers when our number was given out on "Good Morning America" last summer, when we could not counsel callers personally. Our phone service tells us that during the past two years, 4 persons for every caller were turned away because the lines were busy.

The vast majority of our callers were women, although we did receive a few calls from men, sometimes custodial parents, sometimes noncustodial parents. A few calls came from grandparents or other relatives, a few calls from children. Ages of the parents ranged from 18 year-olds to older women whose children had left home. Occupations ranged from no job where the parent was supported by unemployment, welfare, disability benefits or relatives all the way to mid-management executives, family therapists and the like. We received at least one call from every state, and Puerto Rico and the Virgin Islands.

Some of our callers were in dire financial straits. It was common to hear about custodial parents who were working two and three jobs. Some were facing eviction or foreclosure, some were finding difficulties in feeding their children, some had serious health problems inhibiting their ability to work. Those parents with good jobs were concerned about collecting their court-ordered support so they could afford college for their children. In the middle came concerns about proper clothing and shoes, field trips for school, music lessons and orthodonture. All of them had a concern with seeing that justice should be done.

70 percent needed basic information about how to start a case or how to revive, successfully, an old one. We included in this group persons who should have received information from their local agencies but did not, when we could not tell exactly what had occurred in their encounters.

30 percent of callers had specific identifiable problems with local agencies or courts, and it is here that we believe we gathered valuable information on how the system really works, or doesn't work. The problems these people experienced should not have occurred if the system worked the way it is supposed to.

We kept records on this group, identified problem counties, and have forwarded this information to the federal Office of Child Support Enforcement. The greatest difficulty here was in determining whether the problem was in not accessing IV-D services, or whether the problem was with another component of the child support system, and we found in general an overwhelming diversity of systems and that most of our callers did not have the least idea about who had been working their cases. Many times, however, the problem simply was that they were receiving a poor quality of services.

Of the problem calls, 27 percent had to do with access problems, either delays in applying or refusal of services in general or to specific services like the parent locators. We also included in this category persons who failed to receive correct information, such as persons who were being told that the federal tax intercept program does not serve non-welfare recipients, and persons who encountered "cost-recovery fees" that discouraged them from using the child support agencies.

41 percent had to do with problems in working with agencies such as lost paperwork, not being able to call offices, improper choice of enforcement tools, service of process, failure to locate, failure to take simple court action, or persons who simply had never heard from the agency again.

20 percent were wage withholding problems, such as agencies who failed to pursue withholding when it was clearly indicated, did not know how to withhold from federal paychecks, did not know how to use registered agents for service, employers didn't comply, no followup on cases when withholding orders had been sent but no money was received, evasive action by the noncustodial parent.

12 percent were miscellaneous problems, ranging from a state's refusal to extradite a doctor $90,000 behind to $50 disregards not distributed because payments had come in erratically.

A more detailed analysis explaining these problem calls is attached.

Welfare and Paternity Callers

6 percent of all all our calls were from women presently on welfare. Nearly all wanted to get off welfare but believed they needed child support to do it. They were seeking employment, but they knew they could not earn enough to afford to leave the welfare rolls without the income that should come to them from child support. Most of them were especially concerned about losing Medicaid.

Our welfare callers and, for that matter, those who had earlier been on welfare but now were off were alike in that no one had ever really talked to them about child support before: how the system works; what could be done in their special circumstances; what they themselves could do to help. Most were surprised to learn that local authorities were supposed to do something on their cases at all. They had no idea what the status of their cases was, and we found ourselves telling each that they would have to go back and talk to a caseworker in order to find out what, if anything, had been done on their cases.

Of all our callers, those on welfare were clearly the least informed about child support. And if I may say so, I do not agree with several child support officials I have heard who have stated that clients cannot understand what can and should be done on their cases. With some, but few, exceptions, we have been successful in explaining what may work and what may not work to all our callers within 15 minutes.

Another common theme for welfare callers is that they had been actively discouraged from trying to pursue child support. One MN woman who had been encouraged by her social worker to plan for self-sufficiency had tracked down her ex-husband and had found his place of employment, all by herself. When she asked her local child support office for a wage lien, they told her they had never heard of wage withholding and furthermore, they said, "What do you care? You're getting a check." This was not an isolated incident; the "What do you care" speech is one often retold to us.

We heard from others struggling to avoid welfare who had been encouraged by officials to go on welfare, as recently as February 1987. This made these parents extremely frustrated because all they wanted was their children's rightful support, not the taxpayers' money. We can only surmise that some officials find it easier to refer parents to the welfare office than simply to go ahead and do their jobs to work their cases.

Our paternity callers comprised 7 percent of all calls. As you know, once paternity and child support orders have ben established, these cases resemble any other kind of child support case, with a similar recipiency rate to the divorced. But there is a problem getting paternity established, and only 18 percent of unmarried mothers do have child support awards.

We do not believe this is because they cannot identify the fathers. With only two exceptions, all our callers knew exactly who the father was. Often there were several reasons why they had earlier failed to seek paternity establishment, most of them having to do with ignorance of the possibilities or because they believed a paternity hearing would be disgraceful. But by the time they called us, they did want paternity establishment, and yet many of them were being turned away by their child support agencies or else they had applied but nothing had been done. The biggest problems were clearly lack of funds and staff at the local level; and secondarily severe problems in locating the alleged father.

RECOMMENDATIONS

We are often asked if, by listening to our callers, we think the 1984 Amendments have made a difference in child support collections. Our response has been that it is still too soon to make a judgment. We have seen a difference. Few callers within the last six months had difficulty with access to services, except for information about parent locator services. We heard more and more about wage withholding having taken place, although, of course, we are called when for one of several reasons it has failed. More and more callers in the latter months knew about IV-D child support services in general, although their knowledge was incomplete about what types of activities could be carried out by IV-D offices.

Many of our callers were not yet able to benefit because not all the states have (or had at the time) their legislation in place, which affects not only their own citizens but interstate cases as well.

According to HHS's report **State Child Support Laws: Compliance with the 1984 Amendments**, published in December 1986, only two jurisdictions do not have wage withholding laws yet. Only three do not extend wage withholding to interstate cases, provide for a trigger for withholding after 30 days, four have not yet provided for withholding without a return to court. Noncompliance with other withholding provisions required by law or regulation is slightly greater for withholding provisions required by law or regulation, and we include a list of states who have not fulfilled all the requirements.

The second major difficulty for our callers has been that not all the states have implemented their plans for working the cases, so that staffing and handling procedures are not all they should be. This is a knottier problem, because it relates to staffing, training, and automation, and those topics relate to funding. While it is human nature to search for a new legal technique so as to bypass these basic problems, we believe it is impossible to bypass the reality that there must be trained, sufficient and willing personnel at the local level to make use of techniques.

Maintain a strong federal presence. We believe a strong federal presence is imperative if progress is to continue. Again, the work is not all done. While this may be a failure of will on the part of some state officials, we believe it is more likely a result of a lack of technical knowledge for program planning and sometimes a result of political controversies within the state. We know of at least one state where complying legislation was nearly defeated by political opponents; it was when the state's AFDC funding was threated that proponents finally coalesced and were able to pass the law. The threat of losing welfare dollars is an important one in closing the gaps in the system.

Enhance auditing and penalty procedures for accountability. No penalties have ever been assessed against states for poor compliance until several letters went out late last year concerning pre-1984 requirements. We can assure you that these letters did cause a degree of consternation, and perhaps proved to the states that the federal Office of Child Support Enforcement finally means business. We were glad to see these letters, and hope to see stronger monitoring continue. It is our understanding that there are plans in the future for program audits to examine compliance with the 1984 amendments; we think this type of audit is also most important.

Continue funding under the 1984 provisions. We believe it is vital to continue matching funding as provided for under the 1984 amendments. States have not had enough time to put a complete program into place; most are operating under plans made under the funding schedule already provided for in the law. To speed up a reduction in the federal/state match at this time would not only be punitive to the states, but would have the effect of reducing services to the parents who need them.

Continue incentive payments for non-AFDC collections. We would like to remind you that child support enforcement is a seamless endeavor for most single parent families. While only 6 percent of our calls were from welfare recipients, at least an equal number were former recipients, and a number of other callers were parents concerned that they might be forced onto welfare if they could not collect support. We know that prompt, quality services in the beginning—when the family is first separated or formed—is more likely to assure support for the rest of the child's minority years and thus to make reliance on welfare less likely. In order to make child support a major component of welfare reform, we think it is necessary to view it as a service for all families.

This belief was of utmost importance in passing the several provisions of the 1984 amendments. To back up the federal requirement that states provide services to non-welfare parents in the hopes of preventing welfare, incentive funding was provided for non-welfare collections. To remove that funding now, when change has only just begun, punishes states that have planned for expansion of services and inhibits those that have not caught up.

Continue technical assistance to the states. Some states have experienced problems in organizing better child support enforcement systems, and others—in trying to make decisions on how best to focus resources—still need help on systems analysis. In general, as we know from the misinformation given clients and the sometimes mishandled cases, there is a need for much better worker training and organization. We believe that it is still the proper role of the federal government to do its utmost to assure assistance to the states so these activities can continue.

Better training and organization should, we believe, make a difference not only for non-AFDC families but also for those on welfare. As we noted earlier, we have found that few of our welfare callers had ever been talked to about child support, and some were actively discouraged from working on their cases. This is a worker training problem; as we have said before, all the laws on the books do not help if there are not trained personnel willing to use them. (As for child support personnel who willfully refuse to do their jobs, like the official in Maricopa Co., AZ, who refused to carry out a wage attachment on an interstate case because "it seems like too much to pay," we're not sure what the answer is. We report them to federal officials.)

Require automated, centralized state-wide tracking systems. When we worked on the 1984 amendments, we asked for a requirement that states establish centralized clearinghouses in order to track all child support cases. We did not get this requirement, although there was generous funding for development of statewide computerized systems, systems which partially fulfill and are vital to fulfillment of this need. The need is still there; the funding may be in danger. We would like to reiterate that automation is vital to a clearinghouse concept, and such clearinghouses are in the best interests of parents. And we would like to point out how difficult it is to make the states accountable for child support activities in their states if they cannot monitor and track activities. We're in favor of a requirement, but it should be accompanied by adequate time lines and adequate technical assistance and review from the federal government.

Need for better staffing. Once states have been able to automate and thus make some collection procedures more efficient, like tax intercepts and wage withholding, attention should be paid to adequate staffing at the local level. While it is our understanding that some states believe they are adequately but inefficiently staffed, good computer systems can correct many efficiency problems. But other states are not adequately staffed at all, and we can point to several states where parents cannot even get in the door to make an application for several months. Only last week we heard from a parent who, when asking why it would take several weeks before she could be seen, was told by an understandably harassed worker, "Haven't you read the papers? Don't you know about the funding cutbacks?"

Time limits are one way to address the problem, in that it would take staff to meet them, and in the past we have favored very strict time lines for wage withholding processes. A difficulty with timelines for establishing awards and paternity is the problem of locating the parent and performing service of process. There are no easy answers to these problems, although it most certainly helps to continue improving tools for parent locating, to encourage special service of process units at child support agencies, and to encourage agencies to serve process either at the place of employment or the home address, if only one address is available.

Another possibility is issuing staff/caseload ratio guidelines. Such guidelines, it seems to us, might be of assistance to IV-D state administrators who must continually seek a share of funding in the state budget process and who need to justify their budget requests.

Whatever the solution, attention needs to be paid to the problem of states setting quotas, whether overt or covert, in order to avoid an overloaded system and yet avoid hiring more staff.

Interstate. Interstate problems are 51 percent of our phone calls; a major problem for them is location, both before opening child support cases and after. When they know where the noncustodial parent is, the second major problem is finding where he is employed, so that wage withholding can be done. Too often, this is not a priority in either the initiating or responding states, and we commonly hear of situations where dead-end URESAs are initiated when a little investigation would reveal a perfect wage withholding opportunity. Another problem is that some states have "catch-22" provisions in their interstate withholding methods that require the initiating state to supply employment information, a job that obviously the initiating state cannot easily do.

We hope this will be remedied by a new federal requirement that states create clearinghouses on interstate cases, where a locating search can be done at the state level before the case winds up in a carton in the basement of a local courthouse.

Parent locating and employment information. This is a primary problem for the parents who call us, and it is our impression that despite the best efforts of federal personnel to let workers know about available techniques, too often workers simply do not make use of what is there. We hear of too many cases where the only locating action is a letter sent to the last known address, and when that fails, the case is closed.

We'd like to find a way for parents to access parent locator systems, both state and federal, without encountering the hazards of multiple layers of bureaucracy when a search is needed. In part, this has been remedied by a provision under the 1984 Amendments where local agencies can go directly to the federal parent locator; yet we've talked to many parents where this has not occurred, either because workers were too busy, workers did not know they could do this, or because there is a reluctance to pay the small fee involved. It seems to us it would also be beneficial if parents could somehow access state officials directly. With automated case tracking systems, state officials could readily ascertain that the request was indeed part of a legitimate child support case, and could more speedily see to it that the case is submitted to the appropriate parent locator. And if cost is a factor, we believe most parents would be willing to pay a small fee directly if they could be sure the proper search would be done.

We also support efforts to allow the federal parent locator to access the Department of Labor's Internet system, which interfaces with state labor records on currently employed as well as unemployed persons. Data in this system is more current than that supplied by Social Security, and the system would allow the federal parent locator to focus on particular states when appropriate, rather than making a separate request to a particular state which may or may not be able to access employment information.

We'd also like to see access for the federal parent locator to the National Law Telecommunications System, which contains motor vehicle information nationwide. At present, law enforcement officials have access, although it is our understanding that officials locating missing children can now also use this network.

Another improvement would be a clear mandate that employers must cooperate with child support agencies to supply information on employees when it is sought. At present, confusion over privacy laws has meant that some employers refuse to divulge the most basic information to child support officials.

Attention to Access (Visitation) Problems. We support funding for studies and demonstration projects on the subject of parental visitation, or access. We are concerned with two areas. First, we are interested in the extent of access problems with attention to actual denial of access as opposed to lack of contact that may involve other factors. Second, we are interested in the relationship between access problems and child support, and we would like to see the "chicken or the egg" problem addressed straightforwardly. That is, while some studies show a positive correlation between access and child support payments, correlation is not causation and it has not yet been demonstrated which comes first: access to the children that in turn makes child support payments palatable; or the desire on be involved so that both access and child support payments take place.

I'd like to add that for many years Parents Without Partners has maintained that the two issues should be distinct and that one should not be contingent on the other. We support both child support enforcement and access enforcement as important for the children and because courts should be obeyed.

Paternity Issues. Funding for paternity activities should be separated from funding for collection activities, to avoid competing for resources that some states concentrate on quick collections activity in order to be "cost-effective." Paternity establishment may not be immediately cost-effective, but it has to be done to collect later. Paternity efforts should be removed from the formula for incentives, or a separate funding stream could be established.

A second area for attention might be requiring all states to admit the results of HLA bloodtesting as evidence in paternity cases.

A third area involves state statutes providing for paternity establishment in interstate cases. Some states find the language provided in RURESA statutes ambiguous in detailing the responsibilities of courts to establish paternity in incoming child support cases.

We all want prompt and speedy paternity determinations, but we respectfully point out that if the mothers are not on welfare, and do not wish to establish paternity for the children, it is doubtful they can be required to do so and such a requirement could in any case be a shaky public policy. If paternity is established, yes, children can be supported at a higher standard of living than they might otherwise enjoy, will also be entitled to inheritance rights, and may have the opportunity to know their fathers. 99 percent of unmarried mothers contacting us do want to establish paternity.

But now and then we do hear from mothers who are unsure. Sometimes they have been threatened with abuse or childsnatching if they attempt court action. We ask them if they think these threats seem real or are a bluff. If the mother thinks they are real, it may be in her best interests not to pursue paternity establishment. Sometimes the father is a drunk, a drug addict or a criminal, and she is not sure she wants the child to know the father. And sometimes the mother is considering marriage with another man who wants to adopt the child, and the process is likely to be easier without a paternity establishment. In these situations, the possibility but not the guarantee of a child support check may seem like a poor trade-off. The mother is the only one who can weigh the pros and cons for herself and her child.

Right to periodic review of child support award. We support efforts to update state guidelines periodically, and we support guaranteeing access periodically by either parent to the court for a child support adjustment.

Better publicity and state toll-free hotlines. Nearly 70 percent of our callers were not aware that there is a IV-D child support program that could help them. It has been our impression that child support services have not been as well advertised as they could be. (Our impression has been, also, that some state agencies have found themselves swamped with applications from non-welfare parents, and therefore have been reluctant to advertise their services.)

We would like to see more publicity, and we think it would be helpful to both parents and states if all states were required to institute a statewide toll-free number where parents can call for basic information or to seek help when they are having problems with the local agency.

We know of four states that have such numbers: Illinois, Washington, Tennessee and Virginia, and we know of at least one state that employs a troubleshooter who helps parents having problems with the system, Connecticut.

Such hotlines could be immensely valuable to a state operation, and they are not particularly expensive. Besides easing the frustration of parents who don't know where to find services, calls can also help states pinpoint trouble spots caused by local conditions or even local ineptitude. They can be a excellent tool for evaluation of the program.

Increasing the Disregard. We support an increase because it will give more money to families, a worthy goal in itself, and also it should be an incentive to parents to cooperate more readily with child support workers.

25 INCOME WITHHOLDING PROVISIONS REQUIRED BY P.L. 98-378 AND ITS REGULATIONS

State Child Support Laws: Compliance with the 1984 Federal Amendments,
National Conference of State Legislatures)
HHS, December 1986

Provisions	Jurisdictions That Have not Adopted
1. Employer is liable for amount of child support not withheld from paychecks.	DC
2. Mandatory withholding law extended to all IV-D cases.	DC PR
3. Recognition that income withholding takes priority over other legal processes.	DC MO
4. Mandatory withholding extended to interstate cases.	DC RI
5. Recognition of limits of Consumer Credit Protection Act.	DC HA WI
6. Provision that mandatory withholding be triggered when arrearages equal one month's support.	CA DC Guam
7. Fines against employers for firing, disciplining or refusing to hire employee because of withholding.	DC DE MO
8. Withholding to be part of all child support orders issued or modified after 10/1/85.	DC NV PR
9. Procedures for employer to notify withholding agency when employee leaves job, employee's last known address, and, if known, name and address of new employer.	DC KY WA WI
10. Withholding to commence within 14 days from date employer receives notice.	DC KY NV PR
11. Notice sent immediately to employer if withholding is not contested.	CO DC KY ND PR
12. Elimination of need to return to court to initiate withholding.	DC KY NV PR RI
13. Advance notice sent to employer with all information needed for compliance and notifying employer of his responsibilities (some states may have notice but it does not contain all information needed).	CO DC KY NV PR RI

14. Withheld amounts include current support and payments toward arrearages.	CO DC NV PR RI WA
15. Provision to notify obligor of outcome of contested withholding, time frame, contents of notice, within 45 days of contest.	CO DC KY PA PR WY
16. Publicly-accountable agency designated to administer withholding (some have responsible agency, not codified in law).	DC KY MO ND RI VT
17. Limiting defenses in contested cases to mistakes of fact.	DC Guam ND RI VT WA
18. Simplifying process so employers can combine withheld amounts into one check.	CO DC KY NV ND RI VT WI
19. Payment of overdue support cannot be sole basis in terminating withholding.	DC KY NV ND PR RI WA WI
20. Provision for non-custodial parent to request withholding at earlier date.	CN DC Guam KY MT NM RI WA VT
21. Withheld amount to be sent by employer within 10 days of date obligor is paid.	CO DC KY MT NV RI VT WA WI
22. Advance notice sent to non-custodial parent on trigger date, including certain information (some states may include some information but not all).	CO DE DC FL Guam KS KY ND NV PA PR RI VT VA
23. Payment of overdue support cannot be sole basis for preventing withholding.	CO CN DC Guam KY ND NM NV PA PR RI VT WA WI WY
24. Provision for prompt distribution of withheld amounts to obligee.	CO DC Guam HA IL KS ME MO ND NM NV PR RO WA WI VI
25. Provision allowing states to allocate withheld amounts among multiple orders.	CO DC HA KS KY MA MO NV ND OH PA PR RI VT WA WV WI

SUMMARY OF CALLS FOR CHILD SUPPORT INFORMATION

PARENTS WITHOUT PARTNERS' CHILD SUPPORT HOTLINE PROJECT

Since November, 1985, we have counseled 2,900 callers personally about child support problems. 70 percent of all callers did not know about child support services, although some had applied for services or had some court work done on cases in earlier years, who needed to start over again, and many had not begun action because they didn't know where the noncustodial parent was.

30 percent of all callers had indeed applied for services, but were encountering problems with their local child support services.

CONTENT OF PROBLEM CALLS WITH AGENCIES OR COURTS

All child support enforcement in reality takes place at the local level, and it is at the local level where the breakdowns occur that we hear about from parents. All the laws on the books will do nothing for these families, without personnel to apply them, whether through administrative or judicial systems, and we see staffing as a primary problem with enforcement today.

Almost as important is training; as you will see below, poor or nonexistent training causes mishandling of cases which costs time and money for government and families alike.

A third overall theme in the problems we hear about is a horizontal lack of coordination when services are diffused among different agencies, and, vertically, unclear and sometimes non-existent lines of authority between state and local officials. This tends to be aggravated by what might be called a tension between the executive and judicial branches of government. It has been our impression that when a professional child support enforcement official is given wide-ranging authority and strong backing from the governor's office that jurisdictional confusion is more likely to be cleared up and that lines of authority can be strengthened.

Access to Services

There are still states where there is no staff to handle non-AFDC cases, such as certain counties in certain states where parents who ask for services are told to go to the courthouse, on their own, to fill out papers. These parents have no idea what the appropriate course of action should be to increase their chances, and are often left with an unsuccessful result, such as a contempt of court hearing where nothing happens when wage attachment would have easily worked. In some locales, there are no attorneys or caseworkers representing welfare or non-welfare clients in domestic relations hearings. In some areas, staff dollars are believed to be better spent on other functions because officials believe their judicial systems will function fairly without an advocate for the client.

In Texas, the costs of blood testing for a paternity case are sometimes charged to the parent, a disincentive to opening a case.

The parents who call us are clearly fearful of these fees, especially, we think, because of their open-ended nature. We have never once heard a complaint about a one-time only application fee.

PROBLEMS WORKING WITH IV-D AGENCIES

41 percent of our "problem" calls fall into the category of persons who have successfully applied for services, only then to encounter a variety of problems in dealing with the agencies. We have separated wage withholding problems from this group to be discussed later.

Lost papers. 3 percent had encountered years of delay and inaction because agencies had lost vital paperwork and sometimes computer records. The most egregious example is a PA woman who was seeking a paternity hearing. The father had stipulated to paternity originally in Claremont Co., OH, but there was no follow-up. When she moved to Pennsylvania, Bucks Co. submitted URESA papers three times to Claremont Co. seeking action. Claremont Co. lost paperwork for all actions.

Communications problems. 6 percent encountered highly frustrating communications problems in seeking to have their cases enforced. Many counties do not permit telephone calls to the child support offices; then they do not answer letters. Sometimes, they refuse to identify personnel. Franklin Co., OH, told one woman to leave them alone and stop calling, although she had called only twice in three months. She was a welfare recipient who wanted to get off. A Missouri woman ended up lodging a complaint with the state after Jackson Co. would give her no information after scores of phone calls and letters; the state ended up taking over the case. A Los Angeles Co., CA, worker told a woman that every time she called, her case went to the bottom of the pile.

Another type of problem is in interstate cases when the parent can get no information from the responding state because they will speak only to a caseworker. Yet, typically, caseworkers cannot or refuse to make phone calls to relay important information. One Alabama woman tried to give important information to Florida about her ex, who was shortly to come to court. The FL county personnel refused to speak to her. Her caseworker refused to call. Her district attorney tried to call but they refused to speak to him.

Counties refusing certain enforcement actions. 9 percent encountered county officials who chose not to pursue certain enforcement activities (other than wage liens, which we cover later). Most common was counties where officials refused to use contempt of court as a tool, although in all these cases it was the only useful tool left to the parent. In Trumball Co., OH, there appears to be a policy that no support orders will be enforced against the unemployed; one woman said that her ex-husband was told he could sign a paper that would release him from an obligation to pay until he was employed. (He did not, believing that he owed the money.) Another woman, whose ex-husband had recently found a job, was told that a wage lien would not be pursued until he himself informed them of his employment. These decisions seem to be made without reference to the children's need, without reference to information that some of the obligors were working under the table, or to any other sources of income.

We find failure to use contempt of court actions to be of concern; at least 8 percent of our calls were about absent parents who were self-employed or working under the table, where wage liens and tax intercepts are not going to work. The most common occupations were truck drivers and construction workers in these cases, although entrepreneurs and accountants were also a problem. We suspect that many more of the obligors were also self-employed, but the callers simply had no idea of what he was now doing.

Some officials refused to pursue back arrearages in general. Some refused to use the tax intercept because he had paid a small amount on a large arrearage or because there was a contempt action. Some refused to pursue the self- employed. Some refused to do contempt actions at all, because they only did wage withholdings. One MS county refused enforcement because the obligor was "making an effort" even though the parent had received nothing for one year. Some frankly said that welfare recipients came first, and in Alabama one woman was told that she would have to wait since divorced people came before separated people, and she was separated.

Failure to bring in to court. 5 percent of callers had situations where clearly the obligor needed to be brought to court for one of several reasons, and where the obligor's address was well-known. Sometimes, obligors failed to appear for court; nevertheless, the jurisdiction took no action.

Service of process. An additional 3 percent complained of failures to receive proper service of process, although in these cases the address information was good. In some of these cases, the parent had a home address but not a work address, or a work address but not a home address, but local authorities refused service without both.

Misdirected or lost checks. 2 percent of callers knew that they should have been receiving checks through their agencies, and that money had been paid or paychecks garnished. Nevertheless, their checks had been lost and authorities were not following up.

Failure to locate. 6 percent of callers had opened cases with IV-D agencies, but their cases had stopped because the agency could not locate the obligor. In at least half of these cases, the caller was quite sure that the agency should have been able to locate the obligor and perform service of process. In some cases, she herself had successfuly mailed letters to him, or the children had visited at the address.

Application filed, never heard from again. We have no way of knowing what went wrong in these cases, but in 7 percent of calls the parents had opened cases, giving complete information, and never heard another word.

WAGE WITHHOLDING PROBLEMS

As the primary tool of the new child support laws, we began to hear more regularly about the use of wage withholding in the second year of calls. At the same time, we began to hear about more problems in obtaining or keeping wage withholding going. 20 percent of callers had some problem with wage withholding.

No withholding action. 5 percent simply could not get their agencies to take action for a number of reasons. Some had never been told about withholding; although their ex-husbands were employed nearby and were in arrears, their local agencies did not suggest it. One North Dakota office told a parent it would take too much of its time, although he was working locally. One Arizona official told a woman on an interstate case that they would not pursue it, although they did know where he worked, because "it seemed like too much to pay." The official also refused to tell her where the absent parent worked. Some were situations where the child support agency knew that he was working and where but would take no action. An official in Trumball Co., OH, told one woman, who had just informed him of where her ex-husband's new job was, that they could do nothing until the ex-husband himself contacted the agency with information about his new job.

Federal checks. 3 percent had ex-husbands or absent parents who were employed by some branch of the federal government or who were receiving some type of check from the federal government that can be garnished. Yet these parents were either not told that such checks are subject to garnishment, or were told that they were not subject to garnishment. Some agencies had filed URESA cases in situations where a direct garnishment would have been a better choice of actions.

National corporations. An additional 1 percent of callers had obligors who were employed by large national corporations where service on a registered agent could have been attempted, yet workers continued to file cumbersome URESA cases.

Employer compliance. 2 percent had received wage withholding orders that had been served on employers, but the employers were not complying. The agencies in most of these cases would not follow up to find out what the problem was.

Evasive action. 3 percent had situations where the employer lied about the fact of employment, where the employer was a relative, where he regularly quit jobs but no other action was taken.

Poor followup. 3 percent of callers had situations where wage withholding actions were in the pipeline but either the originating state or the responding state (in an interstate case) weren't following up to find out what was happening with them. Some, also, were experiencing unusual delays.

Miscellaneous problems. The remaining 3 percent experienced a potpourri of problems, such as workers who did not know that wage withholding existed, agencies that believed they could not withhold from unemployment or workman's compensation benefits, or who refused to include arrearages in withholding orders, or who refused to carry out any parent locator functions that might have resulted in identifying an employer. Sometimes, withholding was refused because the absent parent had paid some amount toward the arrearage.

MISCELLANEOUS PROBLEMS

The remaining 12 percent of problem calls covered a wide variety of miscellaneous problems.

. NY refused to extradite a doctor who owed $90,000 in arrears although Georgia had requested it. One ex-husband was in the FBI's Witness Protection Program and the mother could not get information on his whereabouts.

. Mishaps: wrong phone numbers continually given out in Virginia; missed deadlines for tax intercepts; a successful tax intercept that was returned because the obligor's arrearage was not large enough for the year intercepted, although it was thousands greater in the following year when the interception was made.

. Judicial decisions: radically lowered arrearages in interstate cases; refusal to order any payments even though the arrearages were in the thousands of dollars. One New Jersey judge failed to appear for court on a snowy day, and the parent's case was never re-scheduled. One county prosecutor was barred from representing a parent because earlier, in private practice, he had represented the husband; she never received representation at all or a court hearing. An Indiana woman could not get a non-support hearing scheduled in the county where the father resided, and believed it was because he was the prosecuting attorney there.

. Agency problems, possibly: ongoing child support kept to pay a state back for welfare payments; $50 disregards not distributed or lost when the obligor's payments covered more than one month; refusal to pursue an award for daycare expenses that had been purposely separated from a child support award by the same agency; refusal to supply services to a woman because the obligor lived in the same town.

WELFARE CALLS

6 percent of all our calls concerned welfare recipients, although at least an equal number came from former welfare recipients.

A common theme was that the overwhelming majority of welfare callers were trying to collect child support so they could get off welfare. The second common theme was that no one was talking to them about their child support cases; they were much less knowledgeable about the IV-D agency's role in pursuing child support for them and many did not know it was supposed to be pursued. Some of them had asked questions of their social workers, only to be told "What do you care? You're getting a check." One Minnesota woman had been working with her social worker on a plan for self-sufficiency, and had successfully located her ex-husband and his place of employment in another state. Yet when she contacted her child support agency, she was given the "What do you care" statement, and was told that his wages could not be attached. Her social worker suggested she check with us, although there is nothing we can provide other than information.

For 86 percent of these callers, we found ourselves giving very basic information about child support and what would be needed to successfully establish an award or collect support.

The remaining 14 percent had further problems after contacting their child support workers. 3 percent wanted to locate him but had been given no information; some did not have social security numbers but had not been told the methods by which they sometimes can be obtained.

4 percent did have good address information, and even employment information; yet no action was taken against him. One Michigan woman knew that her ex-husband had not moved out-of-state although he told the welfare department he did at the time he stopped payments; they refused to follow up although at the time of her call he was 15 months behind.

4 percent wanted to know about the $50 disregard. One Texas woman had been told by San Patricio Co., TX, that the disregard didn't exist. Another NY woman was quite upset because while NY had collected about $8000 in arrears, she had received no disregard, and subsequently had given up custody of her children for financial reasons. One Clark Co., OH, woman had been on welfare for 8 months with no action taken on her case; she received no disregard, yet had $50 subtracted from her food stamps. Erratic payments from the father in other cases meant that the mothers received only one $50 disregard in the months payment was received, even though several months of payments were lumped together. One of these mothers was in dire straits because her child was permanently handicapped, and the disregard was the only money she had to pay for special therapy.

The remainder had such problems as: Oregon would not tell a welfare recipient the results of an enforcement hearing in Arizona; Kansas told one woman they simply wouldn't try for a support order; a Wisconsin woman had been refused child support services because she had earlier been found guilty of welfare fraud, although she was very sorry and said she had been forced to do it to feed her children; a Louisiana woman was told she would lose her welfare checks if she could not get her children's father to go to court, even though she had given the agency complete address information on him. A Virginia woman could not get paternity established in Michigan because at that time Michigan's statute of limitations was for only six years.

PATERNITY CASES

A common theme among these callers, who comprised seven percent of all calls, was that they were not quite sure that their children were entitled to child support. Another major difficulty for this group was in not having social security numbers for missing fathers. 93 percent of this group needed basic information and referral.

Of the remainder, 3 percent had been refused paternity establishment services by their IV-D agencies. Collier Co., FL, refused such services because of cost. In TX, one woman waited until costs were approved in Austin, another could not proceed because she was asked to pay for blood-testing, which she could not afford. Jackson Co., MS, told one woman that their staff was too small and furthermore that they were backlogged on "married people." A NJ woman was sent to legal aid for paternity establishment even though she had just spent several months on welfare, where she should have been receiving such services.

Several callers had locate problems, some caused by the agency, but more often they were normal problems that were not going to be easy to deal with because of the lack of social security numbers. Some had problems with "disappearing" cases common to other types of child support cases.

One woman was terribly concerned because her OH child support agency had obtained a finding of paternity for her; yet she received a bill from the father's attorney for half his fee. No one would speak to her about it at her local agency. Another woman was not able to obtain a court hearing on non- support, because, she believed, the father was a prosecuting attorney in that county.

INTERSTATE CASES

51 percent of all calls concerned interstate cases. While the national percentage of interstate cases hovers around the 20 percent mark, they were over-represented in our calls, probably because our callers by definition have a child support problem, and interstate cases are usually the most difficult.

87 percent either needed basic information, had started a case where location or a URESA procedure was in the pipeline, or they had begun a case but did not know if the agency was conducting a parent locator search. We commonly suggested to these parents that they contact the agency again to ascertain just what type of locating search was being done, as it was usual that none of our callers had been told what exactly would be done.

It was difficult to isolate instances where ineffective locate methods were being used because the parents did not have any idea what should be done. For example, one Montgomery Co., Maryland woman had started a case well over a year ago, supplying the last known address for the father who was in California. Her agency sent a URESA request to that county, which sent a letter to the address she supplied. When he was not at that address, the county, Los Angeles Co., returned the case to Maryland. The case was closed.

When the woman contacted us, we asked the state what kind of locate action had been taken. A federal search had been done a year earlier, but no California search. At that point, we referred the woman to a private debt collection company in California. They found him in four hours.

Our California network double-checked on the previous California work, discovering that neither Maryland or California had requested a state parent locate search. It took several calls and letters to get the record straight. We believe that this kind of problem occurred or was going to occur for many of the interstate cases we heard about.

Another kind of problem, which we would not categorize as an agency problem, were absent parents who were probably not going to be located or, even if found, were going to be difficult to collect from. We received at least one call every week from a parent where the absent parent had never earned a living in any occupation other than drug-dealing. A significant number were employed in occupations such as truck-driver, construction worker, and we often heard that the absent parents were supported by girlfriends or relatives. While in an in-state case such a person could be found, and could be served with contempt papers, in an interstate case location would be very difficult for a person who is not paying taxes or who does not have a vehicle registered in his name.

We did not include location as a "problem" call, however, until we knew fairly specifically what had occurred.

PROBLEMS WITH AGENCIES OR COURTS

13 percent encountered some type of agency or court problem.

Access problems. Access problems were less common, only 18 percent overall experiencing them. The same percentages experienced denial of services or wrong or withheld information; respectively 3 and 13 percent. The primary problem with withheld information concerned parent locator services.

Problems working with agencies. A higher percentage of the problem calls concerned problems working with agencies, 48 percent. A greater proportion experienced communications problems, as expected, because it was so much more difficult to deal with an agency or court in a distant state, at 10 percent. This was true also for such categories as "failure to bring to court" and "application filed, never heard from again," at 8 percent and 8 percent.

In situations where the parent was sure of good address information, failure to locate was also more common for this group, at 10 percent. We suspect that what occurred here is that agencies failed to make locate requests of second states, failed to make federal parent locator requests when state information failed (as recently as last summer some officials did not know they could access the federal parent locator system without exhausting the state system), or used URESA requests to the second state without considering the age of the address information.

Although there appears to be a smaller percentage of those having problems with arbitrary choice of tools, this is probably because a true "choice" was not arrived at when URESA methods are used rather than an attempt to collect information on employment for wage withholding purposes.

Wage withholding problems. The proportion of problems with withholding was also slightly greater for interstate calls, at 23 percent. A slightly higher proportion of problems were found for failure to pursue this technique, and for those where the obligor was employed by the federal government.

SUMMARY OF CALLS

Total since Nov. 1, 1985: 2,842

Needing basic information on starting or reviving old case: 70%
Identifiable problems with child support agencies: 30%
Paternities: 7%
Welfare callers: 6%

TYPES OF AGENCY PROBLEMS:

Access problems: 27%
    Delays in taking applications: 3%
    Denial of services: 9%
    Wrong or withheld information: 13%
    Cost recovery fees: 2%

Service problems: 41%
    Lost paperwork: 3%
    Communications problems: 8%
    Arbitrary choice of enforcement tools: 9%
    Failure to "bring in": 5%
    Service of process: 3%
    Failure to locate: 6%
    Never hears from agency: 7%

Wage withholding problems: 20%
    Agency wouldn't pursue withholding: 5%
    Wouldn't withhold for federal employees: 3%
    Used URESA instead of withholding: 1%
    Employer didn't comply: 2%
    No followup on cases: 3%
    Absent parent moves, quits, employer lies or relatives employ: 3%
    Miscellaneous: 3%

Miscellaneous: 12%

Interstate Calls: 51%

Needing basic information on starting or reviving case, some location information: 87%
Specific agency or court problems: 13%

TYPES OF AGENCY PROBLEMS:

Access problems: 18%
    Delay: 2%
    Denial: 3%
    Wrong or withheld information: 13%
    Cost recovery fees: --

Service problems: 48%

  - Lost papers: 2%
  - Communications problems: 10%
  - Arbitrary choice of enforcement tools: 7%
  - Failure to bring to court: 8%
  - Service of process: 3%
  - Failure to locate: 10%
  - Never hears from agency: 8%

- Wage withholding problems: 23%
  - Agency wouldn't pursue withholding: 7%
  - Wouldn't withhold for federal employees: 4%
  - Used URESA instead of withholding: 2%
  - Employer didn't comply: 3%
  - No followup: 3%
  - Absent parent moves, quits, employer lies or relatives employ: 3%
  - Miscellaneous: 1%

- Miscellaneous: 11%

Chairman FORD. Let me get Ms. Dodson and Ms. Kolker to respond to the update you talked about. I think, Ms. Dodson, you mentioned it. What kind of uniform standards for setting child support awards and system of updating do you think would work best?

Ms. DODSON. What could we do to update?

Chairman FORD. Yes. She mentioned several things, but do you agree with some of the things she talked about in updating? Just give me your idea, your thoughts.

Ms. DODSON. There are two main approaches to the updating issue, one of which is periodic cost of living increases that would be based on something like the Bureau of Labor Statistics cost of living figures. Minnesota, for example, currently has a system under which every 2 years the custodial parent can submit a form to the noncustodial parent saying I would like an increase in support equal to *x* amount, which is what the cost of living increase has been in the prior 2 years. If the noncustodial parent objects, he or she can ask for a hearing and say my salary did not go up that much. And that is a fairly automatic procedure in the State of Minnesota and, as I understand it, works very well.

The difficulty with that is it only gets you as far as the cost of living increase. If someone's salary has doubled in the last 2 years, the guideline would suggest probably a lot more than a 7-percent increase or an 8-percent increase, which might equal the cost of living increase in the last couple of years. So the really accurate way of doing it is by reapplying the guidelines.

The difficulty, as I see it, with reapplying the guidelines is it requires both parties back in court or before a hearing officer submitting new data about their income. And that fact-finding process is a fairly time-consuming one. There are a good many families where you have only wages; but there are another set of families where you have got everything from cab drivers to self-employed executives whose income is more problematic and the difficulties of proving that are much greater. To reapply the guidelines accurately, you have to prove income and you cannot just send a paper saying we propose to increase this much because how much you would increase would depend on what the income is. And that is a more time-consuming process and would be more burdensome on courts and administrative decisionmakers. It is more accurate, however.

So one approach might be to have at 18 months a cost-of-living increase and at 3 years a reapplication of the guidelines. You certainly could provide that parties could apply for reapplication of guidelines if they thought the income of the parties had changed.

Chairman FORD. Only if there have been some wage adjustments, wage rate increases with the absent parent or the noncustodial parent. You said 18 months. Why 18 months?

Ms. DODSON. It is only arbitrary.

Chairman FORD. Cost of living adjustment?

Ms. DODSON. No, I am being totally arbitrary. I guess my concern is simply that it is a time-consuming process to get people back in and to bring in their pay stubs, copies of tax returns and sit down with the hearing officer to go over what their current income is. And our perception is that one of the major problems in IV-D services today is that a poor job is done of investigating what the income of a noncustodial parent actually is. Often at these hearings they just say, "What do you make?" He says I make so much a month. They take his word for it and they apply the guidelines.

We think that is not very well done to begin with, and having to do it every year or 2 years or 3 years, I am just somewhat doubtful that they are going to do a very good job if it is very frequent, although I know it has been very successful in some States. And in the State of New Jersey, which recently adopted guidelines, the IV-D system identified a number of cases where they thought from employment security records there had been an increase in income. They brought those cases back in and reapplied guidelines and, as I understand it, had an almost 100-percent increase in the amount of support collected in the group of cases they treated that way. So it is a very important tool and it is sort of whether you are willing to go to the extra cost of, holding these additional hearings every 2 years, or whatever your time period is. You said "periodic", and I do not think it is clear in the bill what that period should be. I do not think every 5 years is often enough; every year is probably too often.

Chairman FORD. Okay.

Ms. Kolker, would you like to respond?

Ms. KOLKER. Well, let me just add a piece to that because our thinking is fairly consistent with Ms. Dodson's.

I think that here again, as I said in my testimony, you have to realize that the resource issues are so intricately related to the program service issues. We do think that periodic updating is critically important, although in many States guidelines are just beginning to be used. Once they are applied as a first round—a couple of years down the road, and we would like to sort of think through what the appropriate time would be—either party should be entitled to request a review of the award level in light of some changed income circumstances. But, let us face it, this is going to require extra resources, and it is just imperative that the States and the Federal Government recognize that in order to be fair to the families in the program and to do justice to the children, additional resources are going to be absolutely necessary.

Chairman FORD. Mr. Kammer, my bill would authorize establishment of paternity in all cases, and would authorize demonstration projects on the possible solution to visitation problems. What is the size of this visitation problem? You touched on it somewhat in your testimony. But what ways could this problem be lessened?

Mr. KAMMER. I think that the most holistic way to approach the problem is to perpetuate, perpetrate, promulgate the message in the society that fathers are good for children. Because most mothers love their children, they would not want to depriv their children from anything that has been demonstrated to be good for them, whether they hate the guy or not.

So, again, I think the idea of raising our societal esteem for fatherhood would be very helpful here. Also, on the point that is often made by the other side, that many times fathers do not even come to visit the kids, I think again that could be alleviated by convincing the father that he is not worthless to the child, that he is important to the child, because fathers too love their children. It is more of a self-hatred, if anything, that I am only a man, so what do they need me for. Raise the level of self esteem amongst fathers;

raise society's appreciation of fatherhood, and I think the situation will be, at least partially, corrected relatively for free. No computers, no staff, no mechanistic militaristic hardware necessary to take care of that. It is holistic. It makes sense.

Chairman FORD. Mr. Levy, I do not know whether you were here earlier when Mr. Harris, the Deputy Director of the Family Support Administration, with the Department of Health and Human Services, he said in his testimony that it had been estimated that if all absent parents, or noncustodial parents, paid child support based on realistic guidelines, over $26 billion was potentially payable for 1983, two and one-half times the value of the actual orders reported by the Census Bureau for that year. What guidelines would you suggest for the support of children? Do you think the $26 billion figure is one that we could achieve with amendments to the Child Support Enforcement——

Mr. LEVY. Pardon me, $26 billion comes from Ron Haskins, an HHS study.

Chairman FORD. Yes, I am quoting what he had said in his statement, earlier in his printed text.

Mr. LEVY. Haskins happens to be one of our advisers. We do not all agree on everything. It is a broad-based panel. Well, first of all, I notice that the Census Bureau only asks the custodial parents how much they receive in support. The Census Bureau does not, as a matter of course, ask noncustodial parents how much they paid. You always find variances when you ask both sides, but both sides are not asked. So you have to wonder where the figures are coming from. I have heard all kinds of figures.

Second, child support, we think, should be based on the reasonable costs of raising the child. There may be a moral obligation to pay more. I pay more. I want to send my child to college. But the legal obligation, as established in various State high court rulings, is the reasonable cost of raising the child. And then according to ability to pay. So if the cost of raising a child is, say, $5,000 a year, and parent B earns twice what parent A earns, parent B pays two-thirds of the $5,000.

A couple of problems, one of which was mentioned earlier. We do not know what it costs to raise a child of separation and divorce. The Urban Institute and the Department of Agriculture, as I understand it, just measure costs of intact families.

The $26 billion figure, I believe, is based solely on a portion of income of parents. It is not related to any study about reasonable costs of raising a child, because there is no study that it could have been related to.

In many cases, we could increase support, and we favor expedited interstate, intrastate processes to do it. There are two things you can say about support: it is either too much or too little. The person who is paying says it is too much and the person receiving says it is too little. In many cases it can be raised and should be raised. There are other cases I have heard of, horror stories, where almost the entire pay check is going to support. You hear horror stories on both sides. I do not know if you have heard them on both sides, but I have. And, of course, you are going to get support the more that parents are involved with the child. When the parent is around, so is the wallet. You get parents involved with their children and encourage them by paying as much attention to visitation and custody as you do to support, which Congress urged the States to do in the 1984 Child Support Amendments. And why not spend 1 percent of the support budget to study fatherhood, as the National Congress for Men suggested. And why not have the visitation counsellors throughout the country, not just a token few in a couple of jurisdictions. Have them everywhere, and have them over an extended period of time. You may not get results in 6 months. In Michigan, they have had the friend of the court since 1919. This is no Johnny come lately in Michigan. They have had a long time to work all of this out. So a couple models in six counties in 6 months may not prove much. But it will send a much more powerful message and you will get more child support if you have these access counsellors everywhere in the country.

Chairman Ford. And the final witness on this panel, Ms. Nuta, how difficult is it today for the custodial parent to obtain an adequate support order? Is that very difficult?

Ms. Nuta. Well, certainly, most of those who contact us has difficulty, and a lot of the questions that we get are do you think that this is adequate, and how can we get more, and so forth. Those are really difficult for us to answer. It seems to us that we know a lot depends on how the judge feels when he wakes up in the morning. And a lot of times some of the real factors are not taken into account because child care is a particular sore spot that is not taken into account because sometimes at the time the award is being set, she is not working.

Chairman Ford. Let me ask you this: Are adjustments to changed circumstances hard to get?

Ms. Nuta. It is my understanding that it is very difficult to show the change of circumstances to get you back into court to have an adjustment made. Actually, Ms. Dodson knows more about this than I do, but it is my understanding that you have to show some kind of a major change in earning or a major change such as illness or a second family before you can get back in. And I do talk to a lot of parents where his income might have gone up by 20 or 25 percent and they cannot get back into court.

Chairman Ford. Do you think States are doing all they can to assist parents in this regard?

Ms. Nuta. No. If the parent cannot get back into court periodically and has to show this major change, and that works both ways. This is also a problem that a noncustodial parent has. They are not well served unless these awards are realistic, and are adjusted to the circumstances of both parties.

Chairman Ford. I want to thank the panelists for coming today. Thank you very much for your testimony and thank you for your input. If there are additional questions that we would like you to respond to, we will make contact with you as we move through a markup session the latter part of this week and, hopefully, next week.

We, once again, want to thank you for coming on such short notice to testify before the committee on H.R. 1720. Again, thank you very much.

Ms. Nuta. Thank you for your commitment to this program.

Chairman Ford. Thank you.

That will conclude the witness list for today. The committee would like to announce that on Wednesday of this week we will start the morning session with Mr. Miller, who is the Chairperson of the Select Committee on Children, along with Mr. Panetta, who is the Subcommittee Chairman on Food Stamps with the Agriculture Committee as well as Mr. Waxman, who serves as Chairperson of the Energy and Environment Subcommittee.

At this time we will close the session out and the committee will meet Wednesday, at 9:30 a.m.

Thank you.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, to reconvene at 9:30 a.m., Wednesday, April 1, 1987.]

FAMILY WELFARE REFORM ACT

WEDNESDAY, APRIL 1, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:38 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman Ford. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

Tomorrow we will begin the welfare reform markup. Today we will complete our many months of hearings on welfare reform. We have approached these sessions with only one objective in mind: to hear from all of those who have an interest in or a suggestion for improving our welfare system. At the conclusion of this session today I believe that we will have achieved that objective.

Our witnesses today include four of our colleagues with a special interest in welfare reform: Representative George Miller, chairman of the Select Committee on Children, Youth, and Families; Representative Leon Panetta, who chairs the Agriculture Subcommittee with jurisdiction over food stamps; Representative Henry Waxman, who chairs the Medicaid panel of the Committee on Energy and Commerce; and Representative Alan Wheat, who is a member of the Rules Committee. All of these Members are also part of the Speaker's informal task force on welfare reform.

In addition to our colleagues today, I am pleased to welcome Dr. James Miller, Director of the Office of Management and Budget. Dr. Miller will follow the distinguished panel of Members who are charged with the responsibility to help make this welfare bill work and get it to the House floor in a fashion that we can say to the American public and the welfare population that, yes, we have overhauled the welfare system.

It is my pleasure to welcome my colleagues to the subcommittee today to testify on behalf of welfare reform.

The panel will come to the witness table at this time.

I have had an opportunity to work with each of you, and I am very proud to work with you on welfare reform. All of you have some jurisdiction over the areas which we are discussing today. This is the last day of witnesses who will be testifying before the committee. I said earlier in my opening statement we will begin tomorrow morning at 10 in the full committee room in 1100

Longworth to start the markup session of the welfare reform package. At this time I will recognize Representative Miller.

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES

Mr. **George Miller**. Thank you, Mr. Chairman. I want to tell you how much I appreciate the opportunity to testify before your subcommittee and to commend you and the subcommittee for the leadership role that you have taken on this issue of welfare reform. I am pleased that the legislation H.R. 1720 recognizes that children must be a key consideration in any welfare reform initiative, that they will be directly affected by the policy changes which seek to enhance the employability of their parents.

We hear a lot these days about making America more competitive in the international marketplace. But to become more competitive means that we must use the full resources of our work force—men and women alike.

We hear a lot about one of the answers to removing families from welfare dependency is to compel work or provide the opportunity for work for men and women alike. For most families today, just to keep up their standards of living and to raise their children depends upon incomes of both parents. When children are living with only one parent, that parent's participation in the work force becomes almost mandatory. Consequently, in today's world, achieving our national goals requires that both mothers and fathers have jobs. If another of America's goals—that of healthy families and stable families—is to be achieved in tandem, then reliable, decent child care becomes absolutely essential.

The legislation before the subcommittee today is critical both for its potential to create opportunities for self-sufficiency for millions of low-income American families and its ability to strengthen our work force.

I personally do not believe that compelling low-income parents to work has proven to be very effective, and I applaud the legislation from refraining from the mandatory workfare aspects. But what has become very clear is that whether mandatory or voluntary, parents' ability to move toward self-sufficiency depends upon the availability of support services and benefits, principally but not exclusively, child care and medical benefits.

For low-income mothers trying to get training, enter the job market, or hold on to hard-won employment, the absence of decent, affordable health care benefits and child care for their children creates an insurmountable barrier. Too often, returning to the certainty of AFDC becomes the only rational choice to protect their children.

The Select Committee's extensive investigations have clearly established that the current child care system is fragmented and unstable at best. The supply of care is woefully low, waiting lists are common, and the number of families needing out-of-home care for their children is increasing. The result is children whose care is haphazard at best, or frequently dangerous or nonexistent. Furthermore, when child care arrangements fail, we wind up with parents whose productivity predictably declines or they lose their jobs altogether.

As a result, assuring quality child care programs—facilities, training, and quality control—must be an essential ingredient of any effort against welfare dependency. For low-income families and families trying to maintain entry-level work opportunities, finding ways to make child care affordable is also absolutely critical.

Just 2 weeks ago, testimony presented to the Select Committee on Children, Youth and Families confirmed that adequate child care, while expensive, is absolutely necessary to any reform of the welfare system.

That lesson was best expressed by the Massachusetts official who described the State's highly touted voluntary employment training program known as ET. He said, and I quote, "I can summarize the importance of day care to our program in a single phrase: 'Without it, ET would not work. It is that simple.' "

Studies corroborating this view have emerged from Philadelphia, Washington State, and in California. Each demonstrates that a high percentage of parents themselves identify the absence of child care or inadequate child care arrangements as keeping them from working or attending training programs.

The Census Bureau reached the same conclusion in 1982. In an extensive survey of single mothers, 45 percent indicated that the lack of child care prohibited them from looking for work. More than a third of the mothers in families with incomes under $15,000 indicated that they would seek employment if affordable child care were available.

New findings from HUD-sponsored research revealed that the availability of child care produces significant gains in both employment and earnings for low-income working families. The study, conducted by researchers at the University of Miami, also showed that the availability of child care decreased the number of families receiving welfare benefits as well as the average welfare benefit.

I am especially pleased that H.R. 1720 seeks to assure that the family support program recipients, and especially those participating in education, training, and employment programs, will have access to child care.

However, I have attached to my testimony several specific recommendations to assure that the bill's intent be successfully realized. Just to note them briefly here, that is that they assure the payment rate is sufficient to enable FSP recipients to purchase child care; assuring that the payment method allowed will enhance the stability of the child care provided; assuring that child care is available during the transition to self-sufficiency—and that may be the most important one—how long we are prepared to go with these families in providing the stability of these benefits while they experience, in many instances for the first time, the transition from public assistance to self-sufficiency;

Also, creating the accountability for care; providing training from infant and toddler care-givers; and anticipating the increased need for support services.

Mr. Chairman, and members of the subcommittee, you have begun to make critical policy improvements which could go a long way toward providing productive opportunities for education, training, and employment of America's low-income families and improving the well-being of their children.

By taking a few more steps to assure that critical support services are available to FSP families, the Congress will not only create a bold policy initiative but it will create the possibility that families can realistically take advantage of it.

We know that providing these services is expensive, and the ET program is once again instructive. Even in Massachusetts, where the economy is prosperous, where jobs are plentiful, the program would have failed without real financial commitment to child care.

The budget for ET reflects this assessment. During this fiscal year, nearly half of ET's $57 million budget was dedicated to day care. Next year, over half of the budget, $35 million of a total budget of $65 million, will be devoted to child care. Of that amount, more than $10 million is devoted to transitional care alone.

What we also know is that the cost of failing to provide child care and support services is vastly more expensive. Massachusetts has saved $100 million in 1986 alone. Providing education and training services, particularly to young parents and parents of young children, forestalled many additional years of impoverishment and turns into many additional years of productivity.

I would be pleased to work with the subcommittee and the full committee during their deliberations.

Finally, let me just say this: if we, the politicians and the policymakers, believe that we can reform the welfare system without adequate resources, I think we are destined for very dismal failure. These support services, and the others that you will hear about from my colleagues, time and again are presented as the cornerstone for allowing people to make it in the transitional phase to private employment. Time and again we have suggested that people go into the work force, and just as they have gotten their hands onto the first rung of the private sector, we have pulled the rug of supports out from underneath them and time and again they made a logical, a maternal, a familial decision: they are better off at home with their children on public assistance for the welfare of their children, than they are out in the private sector. That is what has got to be reversed in this legislation.

It is going to take resources and it is going to take an investment. Congress is going to have to be willing on a bipartisan basis to invest some money up front so that we can get the long-term returns from these families. All of the evidence is that in fact we can generate that positive return on that investment if we are willing to put some money at risk in the front end of this legislation.

Thank you very much.

[An attachment to the statement follows:]

SPECIFIC RECOMMENDATIONS
REGARDING
CHILD CARE AND SUPPORT SERVICES

Payment Rate for Child Care

Child care is expensive, and the rates for care vary widely depending on the age of the child and the region of the country. The bill appropriately recognizes the differential rates for infants and older children, but it currently would require states to provide child care at rates which are considerably below the market rate in most areas of the country.

The payment rate must be raised if recipients are realistically going to be able to find child care and thereby participate in the program.

Payment Methods

The bill would permit states to contract with child care providers, provide certificates to program participants, or provide cash reimbursements to recipients. Studies in Michigan and elsewhere indicate that child care providers who do not get timely payments, exacerbated by cash payments to parents "after the fact", are reluctant to participate or to accept children whose parents may pay on an irregular basis. In many instances, they drop out of the program completely.

Contracting directly with child care providers or providing certificates to program participants, will enhance stability for the recipients as well as for the child care providers.

Care During Transition to Self-Sufficiency

The bill currently provides 12 months of child care, on a sliding fee scale, as soon as a recipient has entered paid employment. However, as the bill recognizes, without affordable and available child care, the recipient's ability to maintain employment is severely compromised.

The cost of transitional care is signficant -- more than one-third of the ET budget. But the return is remarkable: 86% of ET participants who go off welfare are still off welfare one year later.

In contrast, under California's GAIN program, program participants are to be provided child care for at least 3 months once training is completed. However, the state adopted three months support as a maximum, effectively cutting off child care support at the same point that AFDC work incentives are eliminated. We are already receiving reports from California counties that parents are unable to sustain employment because low-cost child care is unavailable.

It is essential to guarantee that participants will continue receiving child care support by contributing to their child care benefits through a sliding fee scale, until the participant reaches an income level which enables self sufficiency.

Accountability for Care

The bill currently allows states to reimburse in cash, or provide certificates for child care, only for child care meeting applicable standards of State and local law. In some states, however, some types of family day care or relative care are not regulated in any way. Many states also exempt from regulation certain kinds of center-based child care. They may not even be required to register with the State in order to provide knowledge of who is providing care, or assurances that the providers are meeting minimal health and safety concerns. Thus, in these states, there would be no method of accountability for the children in this care.

In addition, in Massachusetts, state regulation in concert with the ET child care component has brought new providers into the market, rather than scared them away as some had feared.

Given the expectation that the supply of child care will be significantly increased through this program, and that there will be a considerable effort to develop a new supply of child care providers, it is imperative that the care available be regulated by the state. The states should be required to regulate all the care used, and given the flexibility to determine what "regulations" should be put in place to maintain accountability.

Training for Infant/Toddler Caregivers

Even in California and Massachusetts, which are highly regarded for their pioneering child care efforts, the current supply of child care for infants and young children is inadequate, and trained caregivers are scarce. To encourage mothers of young children, including teen parents targeted by H.R. 1720, to participate in education, training and work programs, it is essential to assure quality infant and toddler care.

Special resources for training infant and toddler caregivers should be incorporated into H.R. 1720.

Increased Need for Support Services

Low-income families are no less likely, and may be more likely, than more affluent families to experience difficulties as they try to balance work and family life. The substantial change created by movement of FSP recipients into education, training and work will inevitably increase the need for support and family preservation services. Thus, the pressure on already severely strained state Title XX social services systems will increase.

This committee has the opportunity to anticipate this need and avoid more costly and disruptive remedies by increasing the resources available through the Social Services Block Grant in tandem with H.R. 1720.

Chairman **Ford**. Thank you very much.
Mr. Panetta.

STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS AND NUTRITION, COMMITTEE ON AGRICULTURE

Mr. **Panetta**. Thank you very much, Mr. Chairman. Mr. Chairman, I would like for my statement to be made part of the record and I will just try to summarize.

Chairman **Ford**. The full text of all of the Members and all of the witnesses today will be made a part of the record and you may summarize your statement.

Mr. **Panetta**. Thank you very much. Let me just see if I can hit some of the key points that I want to bring to the attention of your subcommittee.

I am proud to be a cosponsor of the principal bill here, H.R. 1720, which really does include a very comprehensive and much needed restructuring of the AFDC program that was created back in 1935, and you are to be commended for the work that you have put into this effort.

In food stamps, we have basically tried to reform this program over the last 4 to 5 years. The key reforms were in the Food Security Act of 1985, in which we built in a mandated employment and training program for food stamp recipients, tried to simplify the administrative process on food stamps, and tried to restore some benefits.

I guess what I would really urge the Congress to do is to keep in mind some basic goals as we try to proceed through this effort on welfare reform. Sometimes we get caught in the jungle on trying to deal with a lot of these programs and we lose sight of the principal goals. So it's important that we try to establish three to four principal goals.

One is, clearly, protecting the dignity of the individual. You know, the worst thing that we can do with people in these programs is to start treating people as if we are just going to provide them with a meager benefit and then drag them through a process that is incredible at times in terms of the bureaucracy involved.

I really urge that the dignity of the individual and the protection of the family unit is an extremely important principal goal for welfare programs.

Second, we must provide adequate benefits. If we are not going to provide adequate benefits to people, believe me, we ought to forget this system, because I have gone to too many soup kitchens and too many food pantries where I have looked into people's eyes and they have said, "The reason I am here is because my benefits ran out the second week." If we are not going to provide adequate benefits, let's not play games with welfare reform. We must have that also as a basic goal.

Third, if we're going to do job training and education, let's ensure that those programs are workable. If we just mandate those programs, make no mistake about it, we create a maze in which people just fill out paperwork and that's all they care about. You have to have commitment, you've got to have dedication, and you have to ensure that the job training program is one that is workable within that State.

In the food stamp program we did it on the basis of saying to the States, "You develop those programs; and, communities, you develop the programs that work in your area." If we try to mandate all the specifics of this type of program, what you are going to wind up doing is having a bunch of bureaucrats who basically check off forms but don't really care about the basic program itself. Don't do that. If it's going to be an education and training program, let's make it workable.

The last thing is simplicity. Whatever we do in welfare reform, I hope we wind up with some kind of one-stop service to people who need these benefits and simplify the forms that they must fill out.

Recently, we had a hearing in Chicago in which people were going to three or four different offices in order to get the benefits they were entitled to. It was absolutely incredible. Filling out 30- and 35-page documents in each of these areas in order to get basic benefits is crazy. So let us also maintain simplicity as a goal.

Now, having said that, let me discuss two principal issues that I want to direct the subcommittee's attention to as you mark up the bill, and how these issues coordinate with food stamps.

First, let us improve the coordination and the program simplification between what are the two largest welfare programs—the AFDC program, or what now will be called the family support program, and the food stamp program.

You have in H.R. 1720 an advisory group to try to report on specific measures to do this. I don't mind an advisory group. I would recommend, frankly, that the advisory group at least include representatives from the majority and minority leadership in the Congress. That is not included now in the advisory group, and I strongly recommend you to include it, as was done in the Social Security Commission which you used as a model for this advisory group.

But having said that, let me also state that the Social Security Commission worked because the social security system was going bankrupt. That drove the Commission to come up with recommendations. What I am concerned about is the fact that nothing forces reform in the welfare area. There is nothing to drive the commission toward a final conclusion. So I am a little concerned about just setting up an advisory commission and telling them to do a lot of the work that needs to be done regarding simplification. So I would really urge that we take some steps as kind of at least an incremental way of approaching simplification and better coordination.

Let me just hit those points as quickly as I can. First, regarding one-stop service for recipients on means-tested assistance programs and to ensure that people who are eligible for benefits under SSI, AFDC, that in those situations where people go to receive those benefits, that all State agencies be required to inform persons eligible for benefits for AFDC and SSI that they are also eligible for food stamps. And that is the case. So we ought not to play games with people because we have found that people have gone and applied for SSI and AFDC and don't even know that they qualify for food stamps, and people don't even tell them that they qualify for food stamps.

So please let us at least mandate that that information on food stamps be provided to people applying for AFDC and SSI.

Secondly, the biggest thing that we could mandate from the advisory council is to develop a simplified, single application form for all programs: AFDC, food stamps, SSI, and the other programs that provide benefits. A single application form can be done. It's not easy. A lot of groups have looked at this. I know how tough it is because of the various qualifications that we have established. But I think the single most important thing we could do is come up with a simple and single form for application.

Third, when you have someone—and this is included in some of the proposals on the Senate side—when you have someone who clearly is at the lowest end of the income scale and has liquid resources and gross income less than the monthly rent and utilities for that household, there is no reason why we can't mandate benefits to be provided within 5 days of the date of application.

The problem we have now is that people apply for these benefits, and they sometimes don't get those benefits until 15 or 30 days after they have applied—and that's early. And sometimes these people are in dire straits, they need to have benefits, particularly if they are at the lowest end of the income scale. We need to mandate some kind of day requirement to speed up paying those benefits.

Another key area is to coordinate student education and training programs with all of these assistance programs. I think the student who is living with a parent, guardian, or relative in a household that is eligible for food stamps ought to be able to—and is attending school full time—ought to be able to receive food stamp benefits. If the food stamp recipient is assigned to a Federal or State or local government employment or training program, the recipient should continue to receive food stamp benefits as well.

We need in education to again focus on young people who need that education in order to get back into the mainstream. Sometimes when we talk about job training, we are looking at the adults, we forget about young people, and that's where we ought to direct some of our attention in these training programs.

On the Family Welfare Reform Act provisions on child support as well, you have a disregard for the first $100 a month in child support payments. I propose the same treatment for child support payments under the food stamp program, and I want that to be a part of the comprehensive welfare reform program as well.

Lastly, on monthly reporting of income, we now require a monthly reporting of income under both the food stamp and family support program. The problem is that this requirement really does create a papermill at the local level. I would like to have that left to the States to make that determination whether they want monthly reporting on income. I mean, there is no reason to drive people through that process if you have a clear case of eligibility that goes from month to month. So please take a hard look at that as well.

The second area to which I would draw your attention is employment and training. The key point is that we have a lot of employment training programs that are being developed around here. We have one in food stamps. We have education and labor. We have the WIN program. We have got programs that involve what you are working on. Let's not have a maze out there for the States to drive people through a thousand different work and training programs and have none of it work.

And please let us coordinate these programs. Now, I know there are a lot of turf battles when it comes to job training programs on Capitol Hill as well as out in the States. But I think you are going to have to coordinate all job training under welfare directors. I urge that. I know education and labor programs tend to work through the Labor Department. But since we're dealing with programs that involve welfare recipients, I think the State welfare directors ought to be the people that control those programs.

Second, regarding the whole day care situation, please coordinate day care needs with these programs. Don't have different day care requirements under different employment and training programs. You ought to have the same requirements regarding day care needs for the individuals that apply for these programs.

Third, the financing mechanisms for the food stamp program really should be changed to match the NETWork program under the family welfare reform program. In other words, we now have under our job training a 50-percent match above the basic Federal employment and training grant. Under NETWork, you have a 75-25. I hope we can make the same match apply to all of the programs so the States won't be confused, because frankly if you have a 75-25 and I have a 50 percent, the States are going to move in your direction and not in the other. But that is part of the problem of coordination in these job training programs.

The other area is performance standards. I know this is a touchy subject, but I think if you are going to have work programs—Sandy Levin has talked about performance standards under his bill—I think we need to have some performance standards to ensure that the States are indeed placing people in jobs.

The last thing is that in our section of the welfare reform bill, I also intend to try to move for an increase in the basic benefit provided under the thrift food plan. As I have said, adequate benefits are essential. People are now getting 51 cents a meal under food stamps. It is just not adequate, and I have to increase the basic benefit that is provided under the thrifty food plan, and I will do that under the food stamp section.

Those are some of the areas that I want to draw your attention to. I am prepared to work with you, Mr. Chairman, to come up with a coordinated approach here. Let's not kid anybody. We are not going to enact comprehensive welfare reform over these next 2 years with this particular administration in place. That is a reality we have to face. But I think we can take some very strong incremental steps, and that is what I am talking about. Let's at least take those incremental steps towards reforming welfare.

Chairman FORD. Thank you very much, Mr. Panetta.

[The prepared statement of Mr. Panetta follows:]

STATEMENT OF HON. LEON E. PANETTA

Mr. Chairman, I am honored to appear again before the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means to testify on the subject of welfare reform.

Just a year ago, I testified on this same subject before this Subcommittee. Based on my review of the Family Welfare Reform Act of 1987 (H.R. 1720) which you introduced last month, I can see that the Subcommittee has been busy over the past year.

I am proud to be a cosponsor of H.R. 1720 which includes a comprehensive, and much-needed, restructuring of the oldest welfare program in the United States—the Aid to Families with Dependent Children (AFDC) Program which was created in 1935. I have the privilege of serving as Chairman of the Agriculture Committee's Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition. This Subcommittee has jurisdiction over the Food Stamp Program, which is a relative newcomer to our social welfare system—having only been established as a national program in 1972.

AFDC would be replaced by a new Family Support Program, which would be restructured to achieve the objective spelled out in the new program's name—support of families.

Benefits would be extended to families in which both the father and mother are present. This would remove the tragic financial incentive in the current AFDC Program for families to break up in order for the mother and children to receive welfare benefits. With this change, the Family Support Program would conform to the practice in the Food Stamp Program which extends benefits to everyone in a family who lives in the same household.

A new employment and training program for participants in the Family Support Program would be created. This program would allow States flexibility to design an employment and training approach which would best fit local conditions. This flexibility was incorporated in the Food Stamp Employment and Training Program enacted in the Food Security Act of 1985 (Public Law 99-198). Employment and training resources would be targeted to teen parent families, long-term recipients and families with young children.

To ensure that mothers can go to work or enter training without worrying about the welfare and safety of their children, increased funding for day care would be provided. Work would be rewarded by ensuring that participants in the Family Support Program who work receive higher incomes than those who do not. Medicaid benefits would be continued for recipients trying to make the transition from welfare to work.

The Child Support Enforcement Program would be restructured to ensure that parents meet their obligation to support their children.

The Family Welfare Reform Act of 1987 represents a sound basis on which to start reforming welfare. There are, however, two areas in which further work is needed if we are to achieve true welfare reform. These areas involve jurisdiction of House Committees other than the Committee on Ways and Means.

The first is improved coordination and program simplification between the two largest welfare programs which provide benefits to families with children—the Food Stamp and the Family Support Programs. The Family Welfare Reform Act of 1987 would establish an advisory group to report on specific measures needed to ensure common policies in these two programs. This report would be submitted to the President and the Congress within 1 year after enactment of the Family Welfare Reform Act. The advisory group would be modeled after the Social Security Commission of a few years ago which included representation from the executive and legislative branches as well as public and private groups interested in the issue. The advisory group to simplify the Food Stamp and Family Support Programs would include membership from the Departments of Agriculture and Health and Human Services, State Governors, State and local welfare administrators, Members of Congress, welfare advocates, and other appropriate persons.

I recommend a revision to the selection process for the Advisory Group to ensure that the composition of this Group reflects the priorities of the Congress as well as those of the President. This revision would include the Majority and Minority leadership in the House and the Senate in the selection process, as was done with the Social Security Commission in 1983.

I laud the creation of the Advisory Group but am concerned that we could end up with simply another study unless we act now. We should not forget that what forced the compromise back in 1983 which saved the Social Security Program was not the Social Security Commission itself but the threat that the Social Security trust funds would go broke if no action was taken. There is no decision-forcing deadline in welfare reform. Therefore, I propose that a down payment on improved program simplification and coordination be made now through inclusion in welfare reform this year of a series of changes to simplify and improve coordination between the two programs.

Some steps which can be taken immediately while we await the more comprehensive recommendations of the Council include:

As an initial step toward one-stop service for recipients of means-tested assistance payments and to ensure that persons eligible for benefits under the Supplemental Security Income (SSI) or Aid to Families with Dependent Children (AFDC) Programs also receive the Food Stamps to which they are entitled, all State agencies would be required to inform persons eligible for benefits for AFDC or SSI that they are also eligible for Food Stamps and help them on application.

I hope that the Advisory Council will be tasked with the objective of developing simplified, single application forms for AFDC and Food Stamps and for SSI and Food Stamps. This step would require additional coordination of the benefit structure of the two programs, including a common household definition.

To ensure that the most needy applicants receive benefits as soon as possible, benefits under the Food Stamp, SSI, and AFDC programs would have to be provided no later than five days after the date of application to any household that has a combined gross income and liquid resources that is less than the monthly rent and utilities of the household.

Better coordination between means-tested assistance programs, such as AFDC, General Assistance, and Food Stamps and education and training programs is long overdue. As a first step, a student should have the option of attending school full time and receiving Food Stamp benefits if (1) the student is living with a parent, guardian, or relative in a household that is eligible for Food Stamps; or (2) if a Food Stamp recipient is assigned to a Federal or a State or local government employment and training program. In addition, the exemption from the special student rules for the Food Stamp Program should be extended to recipients of general assistance benefits.

The Family Welfare Reform Act includes a number of provisions designed to encourage absent parents to fulfill their legal and moral responsibility to provide financial support to their children. One particularly needed change would be to disregard the first $100 a month in child support payments in determining benefits under the Family Support Program. I propose that the same treatment of child support payments be extended to the Food Stamp Program.

Monthly reporting of income under both the Food Stamp and the Family Support Programs should be at the option of the States. The current procedures have created a paper mill, which probably has not reduced erroneous payments but definitely has increased administrative costs. In addition, Food Stamp regulations currently deny benefits to recipients who fail to send in a monthly report form. Benefits are denied until there has been a hearing. This penalty is excessive. I propose, therefore, that Food Stamps be continued for all recipients who make a timely hearing request. This approach would bring the Food Stamp Program into conformity with the current practice in the Aid to Families with Dependent Children [AFDC] Program.

These modest steps will get us started down the road to better coordination between assistance programs. In addition, we need to ensure that in the name of welfare reform, we do not introduce new complexities into employment and training. Unfortunately, over the years, we have tended to proliferate employment and training programs—in part out of frustration that the current delivery system does not reach welfare recipients. That is the reason why we have a separate employment and training program for Food Stamp and AFDC recipients. Since we are embarked on welfare reform, we should seize the opportunity to develop a coordinated employment and training system which will ensure that welfare recipients do not confront a bureaucratic maze when they attempt to obtain the skills needed to make the transition from welfare to work. Achievement of this objective will require careful coordination between the Committees on Education and Labor, Ways and Means, and Agriculture.

As a first step, I would recommend a restructuring of the Food Stamp employment and training program to ensure that it will be coordinated with the new National Education, Training, and Work Program [NETWORK] in the Family Welfare Reform Act of 1987.

Because no employment and training program will reduce welfare dependency unless it is focused on ensuring that welfare recipients obtain paying jobs, I consider it crucial that both the Food Stamp and the NETWORK employment and training activities be administered by State welfare directors.

In developing coordinated welfare and training programs for welfare recipients, we should keep in mind that the extension of Family Support Program benefits to families with both parents present in the household will change dramatically the population in the Food Stamp Program which is eligible for employment and training. Many of the family heads who currently participate in Food Stamp employment and training will become eligible for training under the NETWORK program. The Food Stamp population subject to employment and training will increasingly be composed of single individuals and couples without children.

Nevertheless, there will still be a significant number of working poor families eligible for Food Stamps who do not receive benefits under the Family Support Program. We should ensure that the day care needs of these individuals are treated consistently with the rules proposed in the Family Welfare Reform Act of 1987. Families who participate in Food Stamp employment and training should be reimbursed for the full cost of day care up to $175 a month per child for children over age two and $200 a month for children under age two. In addition, for the working poor who do not participate in Food Stamp employment and training activities, the child care deduction should be increased from the current level of $160 to $175 a month per child for children over age two and to $200 a month for children under age two.

In addition, the financing mechanism for the Food Stamp Program should be changed to match the NETWORK Program under the Family Welfare Reform Act. This would replace the current authorization, which will be $60 million in Fiscal Year 1988 with a 75 percent Federal match for employment and training activities. Three-fifths of the State 25 percent match could be in-kind contributions.

Simply changing the financing mechanism would leave the Federal government liable to open-ended costs which could escalate over time. Therefore, I recommend that for both the Food Stamp and the Family Welfare Reform Act that output performance standards be developed which require placement in jobs. I would suggest that we all look carefully at the language developed by our colleague Sandy Levin (D-Mich) in his bill H.R. 1696, Work Opportunities and Retraining Compact of 1987. The Levin approach would be coupled with a requirement that specific standards be developed one year after the new programs are in place. This would give all of us time, including the appropriate congressional committees, to develop realistic standards based on actual program experience.

Finally, we need to increase the basic Food Stamp benefit to ensure that low-income families really have an opportunity to purchase a nutritionally adequate diet. The current benefit levels in theory provide adequate nutrition but require highly sophisticated shopping skills and a willingness to accept a monotonous diet which few, if any of us, could tolerate and incredibly sophisticated food preparation skills. The reality is that few families on Food Stamps in fact get an adequate diet. Last year, in the Hunger Relief Act of 1986, Senator Edward M. Kennedy (D-Mass) and I proposed an increase in basic Food Stamp benefits. I am working with Senator Kennedy on a new Hunger Relief Act which will also provide for an increase in the basic Food Stamp benefit.

These recommendations will start us on the road to meaningful welfare reform. We all know what we have to do to welfare reform. Our dilemma is going to be how we can develop welfare reform which will make a meaningful change in the lives of low-income Americans within the fiscal straitjacket which the on-going Federal deficit imposes on us. I would hope that we can make the simplification proposals budget neutral in Fiscal Year 1988. Achievement of that objective could require some adjustment in effective dates.

Additional funding for employment and training in Fiscal Year 1988 and beyond is indispensable if we are to avoid imposing yet another bureaucratic paper maze, while calling it welfare reform. I would hope that the First Budget Resolution for Fiscal Year 1988 wll include a mechanism for financing these increased costs.

Chairman Ford. Mr. Waxman.

STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT, COMMITTEE ON ENERGY AND COMMERCE

Mr. Waxman. Thank you very much, Mr. Chairman. I appreciate this invitation to appear before you this morning. I would like to commend you and your committee for taking the initiative on this critical issue, and I want to assure you that we will do all we can to help expedite consideration of H.R. 1720 by the Energy and Commerce Committee. We are anticipating a hearing on Medicaid issues raised by this bill in the Subcommittee on Health and Environment on April 24, and I would hope that we could begin legislative action shortly thereafter.

We have begun to work with Mr. Matsui, Mr. Pease, and Mr. Gradison on your Medicaid transition task force, and I expect to continue this dialog as the Committee on Energy and Commerce moves forward on the bill.

Let me confine my comments this morning on the major Medicaid issues raised by H.R. 1720.

The bill reclassifies AFDC cash payments as family support supplements, but maintains the basic link between receipt of assistance and eligibility for Medicaid. Thus, families with dependent children receiving family support supplements would continue to be automatically eligible for Medicaid. I strongly support the continued coupling of these benefits.

The bill gives States an incentive in the form of increased matching payments to increase their benefits levels. Because of the link between family supplements and Medicaid, States which respond to these incentives would also raise their Medicaid eligibility levels. This will make health coverage available to more poor families who are now uninsured, and has my support.

The bill replaces the earned-income disregards in current law with a standard deduction of $100 for work-related expenses plus 25 percent of remaining earnings. In addition, the bill allows States to adopt more generous disregards. This will enable working poor mothers employed in low-wage jobs to remain eligible for modest family supplements and Medicaid coverage. This is an important improvement.

The bill allows States to use Federal matching dollars to provide subsidized jobs for eligible individuals rather than pay them family supplements. The bill considers individuals working in these subsidized jobs to be eligible for Medicaid just as they would be if they were receiving family supplements directly. Again, I would support this coupling of Medicaid and cash assistance.

The bill requires all States to provide family supplements to two-parent unemployed families. Medicaid would accompany eligibility for family supplements. As you know, Mr. Chairman, I am a strong supporter of your AFDC-UP initiative in the past, and I still remain one.

The bill contains a number of provisions specific to families headed by minor parents. It ends the current flawed policy of grandparent deeming under which teenage parents are being denied cash assistance, and in some cases Medicaid coverage, due to the income or the resources of their parents. I applaud this change.

However, I do have serious concerns about the requirement that in order to receive cash assistance and therefore Medicaid, a minor parent must live in her parents' house. While this bill does create some exceptions and while this policy may have some merit in a cash assistance context, it does not make sense from a health policy standpoint. If we are to reduce the infant mortality rate, we must assure that high-risk women—in this case, low-income teenage parents—have Medicaid coverage for themselves and their babies regardless of where they choose to live.

Finally, the bill provides that if an individual leaves the family supplement rolls to work, she and her family will continue to receive Medicaid coverage for 12 months. As a State option, this transition period could be extended for 24 months.

The 1-year Medicaid transition is certainly an improvement over current law but does not solve the work incentive problem. Giving the States to extend coverage an additional year will not really help, since it is unlikely that many of them will take it. Whenever Medicaid coverage expires, it is highly unlikely that the employers will be able to offer replacement health insurance to workers at these wage levels, especially those working part time. We run the risk of creating a whole new group of working but uninsured families.

If we are really going to get welfare recipients back in the work force, we will have to give them real assurance that even if their employer does not offer health coverage, they and their children will have the basic protections they had while on welfare. We have just begun to explore some options for addressing this, and we look forward to working closely with you and the members of the Medicaid transition task force in developing an acceptable solution.

Thank you very much.

Chairman Ford. Thank you very much, Mr. Waxman.

The Chair will recognize Mr. Wheat.

STATEMENT OF HON. ALAN WHEAT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Wheat. Mr. Chairman, members of the committee, I appreciate your allowing me this opportunity to testify before you. The need for welfare reform is clear as a result of the two perceptions that exist about the welfare system. One of the perceptions is from those who are fortunate enough not to depend upon the system, and that perception is that welfare is a bureaucratic nightmare, that it is frustratingly confusing, that it is wasteful, and that it is unable to achieve its goal of allowing recipients to gain independence from the system.

The other perception is from people who are unfortunately forced to depend upon the system. They see welfare as a bureaucratic nightmare, as frustratingly confusing, as wasteful, and as unable to achieve its goals of allowing recipients to gain independence from the system.

But unfortunately, even though we recognize that these two perceptions are synonymous, knowing the problem does not necessarily lead to the right solution. There are those who now suggest that requiring work for welfare recipients will solve the entire problem. While there is no one, Mr. Chairman, who suggests that people ought not be able to work for a living, I do think that such a requirement implies some clear misconceptions and myths about the current welfare system.

The State of Missouri conducted an extensive study in 1986 of its current welfare system, and I would like to read you just a few of the conclusions:

One, welfare recipients by and large do want to work. In fact, in the State of Missouri, 30 to 50 percent of all welfare recipients currently work. However, they do not earn enough from their minimum-wage jobs to be able to take themselves off of the welfare rolls. In fact, Mr. Chairman, if we were to require work for all the welfare recipients in the State of Missouri, and if only one-third of those welfare recipients were able to go to work tomorrow, we would be short 22,000 jobs in the State of Missouri, short that many jobs of being able to put these people to work.

That is something that we should guard against in requiring a result-oriented instead of a process-oriented system.

A second thing that my colleagues have already adequately pointed out but I think needs to be reiterated is the fact that work costs money, and if the benefits are less than the expenses, people will not be able to work for a living. Inadequate or expensive public transportation, inferior autos or jobs that cost much more than the work pays account for the inability to work, and not necessarily the welfare benefits themselves.

Mr. Chairman, you deserve a lot of credit for getting us to the point that we have reached. You have been a leader in setting out the parameters of welfare reform, and in this legislation you have shown the way we must proceed. Recognizing that we must start somewhere, you have reformed the program that we rely on as the first line of defense against the cycle of poverty, AFDC.

With your leadership, we have now before us a program that will give its recipients some hope of a dignified, independent future.

I applaud the provisions of this bill providing education, training, and job placement assistance, and I wholeheartedly support provisions guaranteeing quality day care services for participating families.

However, the provisions providing Medicaid and food stamp participation are vital to the success of this program. This measure will provide, if adequately funded, a minimal existence for its participants. Through massive efforts, we are hoping to achieve the goal of allowing these families a chance to live at or near the poverty level established by our own Government.

But as you know, Mr. Chairman, and as we all know, living near or at the poverty level is not much to hope for, and we cannot rest once this bill is passed. I know that you, Mr. Chairman, and esteemed colleagues on the panel, have no intention of allowing us to become complacent once we have brought this segment of our population up to poverty level.

What this bill does do, however, Mr. Chairman, is provide a good first step. It says that we as a society must assist people to the bottom rung of the economic ladder, that we as a Nation have a responsibility to each citizen that they can live and work in dignity. We must also recognize that there is a price that we must pay to allow people a chance to grow out of poverty. These programs cost money. We must find a way to ensure that after we enact this legislation, that we don't renege on our commitment and our promise to these people. We must, as we raise hopes and expectations, also raise the cash necessary to make this new system work.

Chairman Ford. Thank you, Mr. Wheat, and each member of the panel, for a very, very thorough and forthright statement on welfare reform.

Before the Chair recognizes members of the committee, I would ask that, without objection, we recognize at this time a member of the full committee, Mr. Jacobs, for a statement that he would like to make.

STATEMENT OF HON. ANDY JACOBS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Jacobs. Mr. Chairman, I thank you for the opportunity to say a few things for the record. Some can leave the room—Mr. Chandler and Mr. Frenzel and Mr. Levin and Dr. Miller—because they heard me say exactly the same things in Williamsburg the other day, but I would like to make it a part of the record.

I, too, am a cosponsor of this legislation. Like everything I heard from our colleagues this morning as witnesses, the idea of remedial training for adults on welfare is exactly what our country ought to be doing. Simultaneously, it seems to me we should be also training their children, particularly the youngest of the children, to acquire linguistic skills.

I am a former police officer. When radio contact is made with a squad car, if there is one thing that sticks dead center in my mind it is repeatedly the misunderstanding of the letters of the alphabet. We who consider ourselves as having had the opportunity, to acquire linguistics and to distinguish among the subtle sounds of our language, even have trouble on the close ones. "No, I didn't say 'd' as in 'David,' I said 'e' as in 'Edward.'" If there is no initial training in the building blocks towards linguistics, right from the start, right from birth, if those sounds are not articulated then in the environment, then those building blocks towards the acquisition of linguistics skills are not there, and neither will the linguistic skills be there.

I tire of reading magazine articles which ask why Janie can't learn to read or why Johnny can't read. They always start at the first grade or perhaps in kindergarten. But that is not where reading starts. Reading starts at the first sound that we hear when we come out of the womb. It is unfocused, but that is a necessary step for the next, and slowly it is focused through those first critical 6 years of life.

So far as I am concerned, I can't think of anything more reasonable than the proposition that while these children are in their day care centers, cognitive elements and efforts should be provided.

When I was a little kid, I spent a lot of time on my aunt's farm, and I remember that in the kitchen on the first floor it was always warm in January, but when we went up to bed it was always cold. In fact, in the wash bowls, the water was frozen by morning, and so were your toes and your fingers.

Years later, somebody thought to cut a hole in the ceiling over the stove on the first floor. And everything got nice upstairs in January after that. Nothing could have been more obvious. I asked my aunt later why did it take so long for people to figure that out. Everybody knew that heat would rise. She said, "Well, we were busy taking care of the problems at hand."

Most people would consider this something that doesn't get much bang for the buck, it doesn't happen instantly. As my father says, "God almighty himself can't make a 2-year-old colt in a day." This is a process. This takes some time. But what a result.

I have called this through the years when I have advocated it, "Operations Ounce," the ounce of prevention, which is worth in this case billions of dollars' worth of cure. All I suggest is for the children whose mothers for one reason or another are not going to be taking training, are not going to go into the work force, that perhaps college credit be given to students who will become foster uncles and aunts to go and modestly, humbly, offer assistance to these mothers in the home and do nothing more than happens ordinarily with people who can articulate English in the presence of little children and at the same time possibly inspire children to reason out their conflicts with one another.

Nobody here ever had any little kids who didn't smack one another, and usually prefaced the smacking with, "He was a bad boy." They had heard that someplace else. You smack people who are bad; you hit them. But there is always a possibility of reasoning out the conflicts. That is what I would do there. As far as the centers are concerned, again I wouldn't spend a great deal of money.

There is a great reservoir of goodwill and helpfulness among the American people. With all due disrespect, I don't think that that has been appealed to lately. I don't think that the inspirations that brought people to the Peace Corps and brought people to the VISTA program or even brought people to their churches, or whatever, to help others are sufficient right now. It could be awakened, I think, and volunteers could come in and participate and make commitments to participate for certain numbers of hours on certain days of the week and so on.

I am not asking for an enormous amount of public expenditure, just something for that ounce of prevention, a paid coordinator in each community.

I think that our problem, from a personal experience of mine and of our country can be summed up. Those things that are urgent are not important, they say, and the things that are important are not urgent. When I was 12 years old I was a victim of poliomyelitis, and I was very fortunate, it was a light case. It was debilitating, but it was a light case, and about the only thing doctors and people could do those days was to recommend certain kinds of exercise. It became a religion with me. They put me on weights, and I wouldn't know how not to do that now. Tom has benefited us somewhat down in the gymnasium lately. [Laughter.]

But that is about all they could do. You would exercise the muscles which had atrophied and you'd try, and sometimes people like myself were fortunate enough not only to come back but get over the hump and be able to participate in athletics. Then Dr. Salk and others came along, constantly doing research, and that ounce of prevention, that simple little shot, my God, think of it, think of what that has done for this country.

Now, there are people who can only think in terms of the physical. But I presume that the people on this committee and people who are testifying before this committee understand the enormous value of the software as well as the hardware of human existence.

The first time I ran for Congress, my opponent spent most of his time raising the devil with the Federal Government because it spent $350,000 to discover why monkeys loved their mothers. "Ha, ha, ha," he said, "I can tell you why they love their mothers, without charging you $350,000. It's because that's where they get their food." Well, we need geniuses like that, but we also needed the people down at the University of Florida who conducted the Harlow study which made a greater contribution, I guess, to human happiness—and to human "productivity" and the "bottom line," "the factory," and all the rest—than anything else that science or business has ever done, as far as I can tell, with the possible exception of Henry Ford.

I can't tell you precisely how to craft it. I did offer an amendment to do this to the welfare reform that Mr. Corman presided over a decade ago. It was accepted. It was made part of the bill, but the bill was promptly laid aside. I urge you to think somewhat along this cognitive training line and try to weave it in, this ounce of prevention, along with this present and necessary pound of cure which I support also.

I thank the committee for its time.

Chairman **Ford**. Thank you, Mr. Jacobs.

Mr. Downey?

Mr. **Panetta**. Mr. Chairman, I apologize to you and the other members. I have to be at another hearing that I am already late for. But I will be happy to respond to any direct questions on the food stamp issue before I go. I apologize, but I am really late for the other hearing.

Chairman **Ford**. Mr. Brown?

Mr. **Brown**. Just a quick question. You say in your testimony that it is essential that Congress insure adequate benefits in the food stamp program. Can you tell us what you consider adequate?

Mr. **Panetta**. Well, the best dimension I can give you is the adequacy of benefits in the food stamp program that I am responsible for on our subcommittee. The thrifty food plan, which is the basic plan that establishes the benefits which flow to food stamp recipients, is essentially outdated right now. It has been outdated for the last 5 years in terms of adequacy of benefits. They are getting roughly about 51 cents a meal for the food stamp benefits. What we are finding is that those benefits are running out in the second week.

What I am saying is that in addition to these other requirements that we are looking at in welfare reform, we have to look at the adequacy of benefits that flow to people in need. Otherwise what we are doing is simply providing a little bit of benefits and then forcing people into soup kitchens and food pantries. That does not solve the problem.

Mr. **Brown**. Adequacy of benefits is a critical issue in our debate about welfare reform.

Mr. **Panetta**. Sure it is.

Mr. **Brown**. What are your thoughts on how much we provide in the way of welfare assistance? Do we provide more than someone can get on, say, an entry-level job?

Mr. **Panetta**. Well, we have discussed this a great deal in this business: Do you, for example, with someone who gets into a job at a low-paying level, do you immediately cut off their benefits or do you maintain benefits to somebody who is working? That is another issue to deal with, very frankly, because our concern is that when you immediately cut off benefits to somebody who gets a low-paying job, they find that it's better to go back on benefits because they are losing the kind of support system that they need for themselves and their families.

That is not going to be cheap. I mean, you provide benefits to people who are in low-paying jobs, that costs money. But I think frankly that investment is worth more than the initial cost in the long run because you are building that support system to keep people in their jobs. That is one aspect of it.

Second, in terms of the adequacy of benefits, we have a thrifty food plan in food stamps. That looks at the adequacy of a nutritionally adequate diet that goes to people. Admittedly, these things have to be developed on some kind of formula basis, but right now that plan does not really meet the needs. And that is what I am concerned about. I am just trying at least to meet what people say you would have to give somebody to give them a nutritionally adequate diet.

Chairman FORD. Mr. Panetta, H.R. 1720 requires an advisory committee. You talked about a majority and minority Member of Congress serving on the committee. But what areas would you suggest for the committee to study?

Mr. PANETTA. Well, you know, obviously if they are looking at the whole issue of simplification and coordination, I really want to direct their attention, as I stated in my testimony, towards the application form. I think if they can develop a simple, single application form that applies to people who are going for SSI, for AFDC, for food stamps, and we can cover it that way, we will have done more in one single stroke to assist the administration of these programs than almost anything else we can do.

Chairman FORD. OK. Thank you.

Mr. Downey?

Mr. DOWNEY. Thank you, Mr. Chairman.

I wanted to ask our colleagues while they are here about this idea of a minimum benefit, which is part of the issue that we are wrestling with which is very difficult.

If you are blind, aged, or disabled and you are living alone, you receive $340 a month from the Federal Government, not including the food stamp payment or a State supplement. If you are a family of three in any State, the median income that you would receive is $346 to $354. That is for three people who just don't happen to be aged, blind, or disabled.

Over the last 17 years, with the exception of the State of California and the State of Maine and the State of Wisconsin, the benefit levels under AFDC for a family of four dropped in every State. It dropped 57 percent in the State of Texas, where in July of 1970 a family of four got $179 and in January 1987 they got $221.

It just mystifies me to think that we can carve out a separate category for people who are old, blind, or disabled, and set out an eligibility standard for them, and then for children, pay their guardians as little as $39 in some States of this Union.

I couldn't agree more with what Mr. Panetta said before about the adequacy of benefit. I mean, it is fine for us to provide child care and day care, and we should do that, clearly, to try to help people to get to work. But we are deluding ourselves if we think that everybody on the welfare program is going to work.

Hank, you asked that question about income benefits, and in this wonderful green book that is provided, on page 404 they take Pennsylvania as an example and they lay out the fact that if you don't do anything to Pennsylvania, you just are a mother with two children, you get $6,113 in AFDC food stamp benefits.

Mr. GEORGE MILLER. Does that figure include Medicaid and housing assistance?

Mr. DOWNEY. No, it doesn't. Well, that is the income; that is the disposable income. OK. But food stamps and AFDC.

Mr. GEORGE MILLER. But I think the problem is you can't take part of the benefits and ignore the others.

Mr. DOWNEY. No, let me make my point. You are absolutely right. The fact is that not until you are earning $1,000 more—namely, $7,000—do you lose your Medicaid benefit. So for the purpose of working, between zero and almost $11,000 it almost makes no sense to work.

Mr. PANETTA. That's right.

Mr. DOWNEY. Because you lose all of your AFDC—well, not all of it, but most of it at $10,000. You lose your Medicaid card and your food stamps. The food stamps is reduced. You lose your AFDC around $7,000.

So the fact is that today there is no incentive to work.

Mr. GEORGE MILLER. Mr. Downey, I think you have to look at it in two perspectives. One is that you have to provide adequate benefits for people who are on public assistance. Whatever you name the program, there have to be sufficient resources within that family unit—single-parent, two-parent, whatever it is—so that that family can maintain itself, so that they don't run out of food or they can't go to the doctor or they can't pay their rent or they choose heat over food or textbooks, what have you.

There have to be sufficient resources. Then you have to decide that, where you can, you've got to move people off that system into the private sector. But if your notion is that you are going to take a family of three or a family of four and take them off of the public assistance system and dump them into a minimum-wage job and you're done, their logical decision is to come right back onto the public assistance system.

We argue, and this committee particularly argues—and I would hope you would keep this in mind—you spend most of your adult life in this Congress arguing about marginal tax rates, and that is all we are discussing here. At what rate will these families be taxed as they go into the private sector? If it's a 100 percent tax, they don't show up, and the question is how do you start to withdraw those benefits to a time at which the family is itself at self-sufficiency, not at minimum wage, not less than self-sufficiency. Only then will all of the motives that we think drive people to greater productivity come into effect, if they can see the rewards and the fruits of their labor.

But if they are living under a tax burden of 50 or 70 or 80 percent for every dollar they earn, why do it? I think that is what you have to understand.

But the tradeoff, as I think Mr. Wheat has pointed out, is if all of these people signed up and went to work in Missouri, there wouldn't be enough jobs. We are going to have families that for one reason or another are not going to be able to participate in that system. We hope that they will now, later, or some other time. But we should not punish those families. We should not make welfare so punishing that you would escape it at any cost, because that is not fair to the children. They didn't select these families, and they have very little to say about it.

But two-thirds of the caseload are children, and very young children. And when you talk about their nurturing and their chance to develop, put them into a desperately, desperately impoverished home, as recited by the figures of Mr. Downey and others, and what we know is that that poverty is the single greatest predictor of their failure. They will fail at rates beyond all of our desires and all of our hopes for them. It is the single greatest predictor.

So just remember as you construct this system, as we stay with these families, what is the marginal tax rate you are putting onto their labor, and would you want that on your constituents, on yourself, as you try maybe for the first time in your life to participate in the American economic system?

Mr. **Brown**. I think you have joined the issue.

Mr. **Panetta**. That's right.

Mr. **Brown**. One part of this issue is the impact of tax rates on people's work incentive during the transition to work and productive life. I think on that you will find very strong bipartisan agreement.

But the other part of the issue is raising the level of welfare benefits without work requirements, without training requirements, without education requirements.

Now, if my figures are right, a mother with two children on welfare in California receives an after-tax income of $11,736 a year. Obviously, nobody is getting rich on that. But to have a substantial increase in that level makes it very difficult for her to earn as much in the labor force.

Mr. **George Miller**. But if she takes a $7,000-a-year job, should she earn less than that? Should she get a marginal reward for staying on that job so maybe she earns less?

Mr. **Brown**. No, no, I agree completely. We need to make sure that she doesn't lose in the transition. But that is not the issue. The issue that divides our parties is whether the Congress should increase that $11,700 and give her even greater work incentive.

Mr. **George Miller**. But then you have to make the magnet of the opportunity for employment very strong. That is why I am saying, if you are going to be cheap on Medicaid benefits, on child care benefits, if they are going to have to just dump their child with somebody who puts the child in front of a TV for 6, 7, 8 hours while they are off working, if there is not a quality benefit in that, I don't think they're going to do that.

Mr. **Downey**. Let me just reclaim my time here for a minute to make a point because I think it is probably profitable for us to have this dialog in the company of our colleagues. You cite California and the income of $11,000 as a political stumbling block. Let's focus it back on the question of children.

Let me make my point. In the State of Alabama a poor child is treated very differently than a poor child in the State of California, and I think we can agree that a poor child in the State of Texas or in the State of Louisiana—and there are more of them now because of the economy—that it is nothing in Austin and it is nothing in Baton Rouge that has dictated that more children should be poor or living in poverty. Those are national decisions. We like the idea that oil prices are low, we are going to keep them low, and a lot of people are going to be unemployed.

Mr. **Brown**. Can we vote on that part of it?

Mr. **Downey**. Well, OK.

We can come back to your point and look at the big dollar levels in Alaska and New York and California, and I think we have missed the essential, one of the points that I think is critical to this entire issue. If you are God's child and you're 64 years old, 65 years old, you get $340 from the Federal Government, food stamps, a housing allowance, and Medicaid. And if you are one of God's children and you are two years old and you live in Alabama, you get $39. That's crazy.

Mr. **Brown**. Mr. Chairman.

Chairman **Ford**. The Chair will recognize Mr. Brown at this time. The time of Mr. Downey has expired.

Mr. **Brown**. Not to beat a point to death, the information I have indicates that a mother with two children in Alabama receives $7,020 a year from those four programs.

These numbers are crucial for understanding the transition from welfare to work. If we are going to make basic benefits higher, whether it's from the $11,700 base in California or the $7,000 base in Alabama, we make it more difficult to get off welfare.

Mr. **Downey**. Just answer me one question. How do you reconcile the fact that for SSI there is a national standard for age, blind, and disabled people and there is not a national standard for children who are completely incapable of caring for themselves?

Mr. **Brown**. Unlike many, I have never claimed that Congress was rational to begin with. [Laughter.]

Mr. **Downey**. That's the answer, that we should treat the aged, the blind, the disabled differently than we should children?

Mr. **Brown**. I am not going to defend the way the SSI program is set up.

Chairman **Ford**. Mr. Pease?

Mr. **Pease**. Thank you very much, Mr. Chairman.

I would like to direct my questions to Mr. Waxman, since I have been very interested for a long time in the provision of medical care for low-income people generally and poor people in particular. I understand that you mentioned during your testimony that you support the extension to a year of the availability of Medicaid when people go off of welfare. Is that correct?

Mr. **Waxman**. I support the provision of a 1-year transition. The bill provides a second year at the State option, but I think it is unlikely that States will take that option. So I think we need to look at different alternatives to make sure that people have health care coverage that won't push them out of work and back onto welfare when someone gets sick.

Mr. **Pease**. Well, I am glad to hear you say that because I agree with you 100 percent. Certainly, a 3-month transition under the current law for Medicaid is better than no transition at all. If I were on welfare, faced with losing my Medicaid card if I took a minimum-wage job, I sure wouldn't take a minimum-wage job. There's no way you can afford to give up that care for your children.

Three months is better than no transition. A year is certainly better than 3 months. But I think if we are realistic about it, if a person goes off of welfare with a low-paid job, it's unlikely that after a year that person will have had such a pay increase that he or she could then afford to buy a commercial health insurance policy. So we need to go beyond that. It may be too expensive to go with Medicaid forever, though.

But I have a proposal that I would like you to look at, which I introduced really 2 or 3 years ago. It is intended for the low-income population in general, particularly those who don't have access to health insurance—the self-employed and so on. My proposal was designed to use the private health insurance system in partnership with the Federal Government in order to make private health insurance available to anybody who wants it as long as the person is willing to pay a reasonable percentage, 7 percent or so, of that person's income as a premium. Then the Government would pay the difference between the 7 percent of the person's income and the actual cost of the program.

I view that as a way of getting at the problem of making health insurance available without getting into the question of whether we're heading toward socialized medicine.

But it occurs to me that it may be adaptable in terms of Medicaid. At some point you might be able to say to a person, "You can continue on Medicaid as long as you want to if you are willing to pay some percentage of your total income, or maybe some percentage of the increase in income above your original welfare payment, for this medical coverage."

Then, if the person really did get a better job and go into the middle class, it would no longer be worthwhile for the person to go through Medicaid, and commercial insurance would be more attractive. Or, if the person got a job with an employer that provided medical coverage, that would be more attractive.

But it seems to me that that is a bridge that could go a long way, that could last not only a year but 2, 3, 4, 5, 6, 7 years. And again, if we are trying to reorient this program to work, it seems to me that that would be a small price to pay—that is, the differential in the cost for Medicaid—to keep people on the job and off of the welfare rolls.

Mr. **Waxman**. Well, I think that's an interesting idea. I think it is one of a number of different options we ought to look at. We could have something like that. We could enable employers to buy the person into Medicaid. We could change the earned income disregards for those individuals with regard to the Medicaid.

But let's look at these options, because I fully agree with you that one of the big problems will be, if we are looking at the purpose of this bill being to a great extent the transition off of welfare and onto some employment, that whether it's 4 or 12 or 24 months, when that health care benefit is over and that person is then in a job that will not provide health insurance at all, that is a tremendous disincentive to working. We have to remove that disincentive.

Mr. **PEASE**. It occurs to me, just off the top of my head, that another thing we need to look at is the transition back onto Medicaid if a person goes in and takes a job that has some sort of medical coverage and goes off Medicaid. If it appears that there is going to be a gap at some point or if the person loses the job, the person is without medical insurance. I would be reluctant to take the job in the first place, knowing that I was at risk and putting my kids at risk for medical coverage. So that is another aspect.

Mr. Wheat, did you want to comment?

Mr. **WHEAT**. Well, in regard to the entire transition question, I think it is wise to point out—and this related to Mr. Downey's and Mr. Brown's question also—that people on welfare basically, through whatever process, end up making rational financial decisions about what is best for their family. If in fact the marginal wage rate is not significantly positive, they are not going to end up in permanent jobs and having the societal part able to be reduced.

One of the decisions that we have to make, Mr. Downey talked about a minimum income standard, it's not a new idea in terms of welfare reform. It has been proposed three times in the last few years, in fact. But each time, the decision has been made that we are not going to pay the short-term cost. Well, not paying those short-term costs before has led us into the situation that we are in now and where we still have a huge population on welfare with no immediate prospects of being able to transition into permanent work. The costs for our society remain very high.

Until we make the decision that we are going to pay higher short-term costs, we are not going to get the long-term benefits. And the kind of idea that you propose that really does allow people to take a job, be able to work for a living, and see some benefit for their family over a long period of time is the kind of thing we have to look at. And if we are not willing to make the decision to adequately fund programs like that, we are kidding ourselves, we are not going to do anything.

Mr. **PEASE**. Thank you very much.

Thank you, Mr. Chairman.

Chairman **FORD**. Mr. Frenzel?

Mr. **FRENZEL**. Mr. Chairman, I thank our distinguished colleagues for their assistance. They have made some very interesting and very telling points.

I recall, however, in the history of this subcommittee, welfare reform that we have attempted has floundered due to the efforts of advocates to get what they thought was a fair shake, and it turned out that Congress decided that the program was probably too big and it was left to languish. I think the committee, despite what it sees as real needs, has got to remain anchored to available resources. Otherwise, it is going to see a lot of work done in vain, as happened to the work done on family assistance or on the Corman reform of a couple of years ago.

Again, I thank my colleagues for their statements.

Chairman Ford. Mr. Andrews.

Mr. Andrews. Thank you, Mr. Chairman.

I would just like to follow up on some comments of Mr. Downey and ask the witnesses' thoughts. Let me pose the question this way: The State of Texas right now is in session; their legislature is in session. They are dealing with a deficit of about $6 billion, which is pretty big by Texas' standards. Under their constitution they are required to balance their budget annually.

The minimum standard requirements under this bill, as I understand, as it's written, would just about double the amount of contribution that the State of Texas is required to make as a minimum benefit. It costs Texas about $50 million the first year and about $150 million after the bill is fully implemented.

So therein is a real serious dilemma. We had a witness before the subcommittee sometime ago. She was a Virginia delegate that basically said what I think we all agree, that sometimes the worst problems in the country are in the States that can least afford to pay to remedy those problems.

So how do we confront the dilemma we are in? And the bill, specifically trying to get States like Alabama and Texas and Louisiana, to pay more for these services at a time when to ask a State like Texas to double their payments is asking a lot in a critical economic time?

I would be curious as to what your thoughts are about it, because it goes right to the heart of what I think Tom was saying earlier.

Mr. George Miller. Well, I think you ask that question at a time when obviously the Texas economy is less than robust. But I think the answer may lie all the way across the country, in Massachusetts, where clearly they made the decision that they would start, one, to invest new dollars, but also to reshuffle some of the dollars that they are currently using. And the State is now claiming that they have saved $100 million. How did they to do that? Now, obviously they have a low unemployment rate; they have an attractive economy.

But I think you have to take this program over the ups and downs, and the economies in various regions will differ. I think this is very analogous to what we find in most of the social services areas, Mike, and that is the savings really come from the investment and the expenditure of those dollars. They don't come from trying to cut back those dollars; that only makes the problem more expensive.

I think the thing that Texas might keep its eye on is whether or not the work program is attractive enough to draw people off the minimum benefit level and whether or not there are in fact medical benefits, child care benefits, what have you. If this program were just successful in opening the door for the people who are currently on public assistance who by their own volition want to go out and work, if we could just handle that caseload, we would, one, have a financial success, and two, for States that see that increased minimum benefit would obviously see the reduction in that payment. There has to be some tradeoff.

If we are just going to increase the minimum benefit and the attractiveness of the work program is not sufficient, then you are right, Texas will just be saddled with the doubling of its expenditures. But if you will come along and you will invest in the impediments to work—child care, medical benefits, what have you, that we know now historically, longitudinally, we have studied them over a long period of time—if you are willing to make that kind of an investment up front, and some of that is going to have to be Federal, whether it's through title XX or 4(a) child care, what we now see is that people will move. Even in high-density, low-income housing projects in this country, people who have stayed there most of their adult lives, you start to provide child care, they start to think about going to work. You know, it works that way.

So Texas and other States have to think about how does this program diminish the likelihood that people are going to stay on that doubled minimum benefit, in your case, or that doubled expenditure over that year's period of time. In Massachusetts, what we see, with adequate benefits and transitional benefits like you are talking about doing, 86 percent of the people who moved off of welfare in the first year are still off of welfare a year later.

In California we tried to do it a little cheap. We tried to only go 3 months or 4 months, and what we are seeing is people are falling back onto welfare at a much greater rate.

So you are going to have to do that. That's part of it, and I think that is the investment that, hopefully, we will make in this system so that Texas is not going to be called upon to have the same number of recipients on an increased-benefit program.

Mr. **Wheat**. That is very briefly, Mike, it's hard to explain but in fact lower benefits actually encourage welfare dependency and higher, well-designed benefits that will allow people to transition into work over a longer period of work will save a State like Texas or any State money. Not only does it increase the social benefit, but people get transitioned off of welfare rolls onto permanent jobs, and you do that by having adequate benefits. You can't do it by shortchanging the system.

Mr. **Andrews**. Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Chandler?

Mr. **Chandler**. I have no questions, Mr. Chairman.

Chairman **Ford**. Dr. Miller is here.

There are several questions that I will reduce to writing, and we will discuss them in our task force later today or tomorrow. Again, let me thank the panel.

The committee would like to call Dr. James Miller III, director of the Office of Management and Budget.

We welcome you to the committee. We are very delighted to have you before the committee today. Thank you very much for coming.

Dr. Miller, we know that you have waited for a while. We had the Speaker's Task Force testify as the first panel of witnesses, and are very appreciative of the fact that you took time out of your busy schedule to come down to the subcommittee to talk to us today about welfare reform.

We have had you before the full Committee on Ways and Means, and we have discussed welfare reform. We now have a welfare reform vehicle that is in this Congress and in this committee, and we will start tomorrow with a markup on welfare reform.

We are delighted to have you. We certainly hope that between now and the next several weeks you will see your way, in the administration, to support an overhaul of the welfare system.

We would like to hear from you at this time, and once again we would like you to respond to questions from the committee members.

Dr. Miller?

STATEMENT OF HON. JAMES C. MILLER III, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY DEBORAH STEELMAN, ASSOCIATE DIRECTOR FOR HEALTH, HUMAN RESOURCES, AND LABOR

Mr. **James Miller**. Thank you, Mr. Chairman. I am glad to be here. I will respond to your questions. I have a statement I would like to read, however. I am delighted to have this chance to discuss with you welfare reform. It is obvious it is an issue of high priority not only to the administration but to Congress.

The committee has heard from administration witnesses on previous occasions regarding the President's Low Income Opportunity Improvement Act of 1987, legislation that would authorize broad-reaching, State-sponsored, community-based demonstrations to learn what works best to bring low-income people up from dependency. Programs designed for this purpose and put in place over the last quarter-century have had far different results. More and more people remain dependent on the welfare system than ever before, and the profile of welfare recipients has become more and more tragic.

It is clear that despite good intentions, the Federal Government has not been able to solve the plight of our low-income citizens.

However, there does seem to be an emerging consensus about key weaknesses in our welfare system. But as to the solutions, thoughtful people differ mightily. For this reason, the administration believes that the correct approach to welfare reform is to test ideas before making sweeping national changes. The administration's proposal to induce the nationwide experimentation and demonstration needed—the Low-income Opportunity Improvement Act of 1987—is, we believe, the essential link to the answers we need for tomorrow.

Where demonstrations have proven the approach to be sound, changes should be made. And a key area where demonstrations in our judgment have shown the way is in the work programs for AFDC recipients.

Now, virtually all of the welfare reform proposals that have been advanced to date focus in whole or in part on AFDC and work. H.R. 1720 establishes a work program called NETWork. The administration has proposed GROW, an acronym for "Greater Opportunities Through Work," a new employment and training program in AFDC, as well as the AFDC youth training proposal under the Job Training Partnership Act, or JTPA, which would be coordinated with GROW.

There is a broad consensus that AFDC work activities should be reformed. There is also a substantial body of research to inform and shape proposals for change. Because the administration's view of H.R. 1720 and other welfare proposals developed by the Congress will be influenced heavily by recent research, including the results from several State demonstrations, I want to share some of it with you.

First of all, it's clear that the present system of exemptions from work-related activities in AFDC is counterproductive. Right now, AFDC mothers with children under age 6 are largely exempt. Yet, mothers who first enter the program with children under age 6 account for almost 90 percent of the women who will use AFDC for 10 years or more. If you have a program essentially to try to get AFDC mothers into the work force and out of AFDC, our process of exempting those with young children, children under 6, has proven, I think, counterproductive. Those who first come onto the rolls with children under the age of 3 account for almost two-thirds of all women who receive AFDC for 10 or more years. So two-thirds of all long-stayers have children under 3 when they first enter AFDC. That fact is too striking to be ignored. Young mothers, by virtue of their age, have young children. It is not surprising then, in light of the data I have just cited, to find that young mothers with young children are the most likely to become dependent. Indeed, over 40 percent of young, unmarried mothers who first enter the AFDC program with a child under age 3 will be on the rolls for 10 years or more.

You will notice that I have referred repeatedly to women when they first enter AFDC. That is because recent research has focused rightly on isolating those characteristics that identify the AFDC entrants most susceptible to dependency. With this information, we can concentrate on recipients prone to long-term dependency before they are enmeshed in the welfare system.

Early intervention to prevent long-term dependency is the hallmark of the administration's GROW and AFDC youth training proposals. It is the sine qua non of any work-related changes to AFDC that Congress might pass. To achieve success, we must take three interrelated steps:

First, the exemption for mothers with children up to age 6 must be lowered to 6 months, or less at State option. A 6-year or even a 3-year gap in schooling or work opportunity can only make it more difficult for women to later become employed or otherwise to improve their prospects for a better life and serve as role models for their children.

Second, participation in work-related activities for those who are not exempt must be made mandatory so that those who suffer from low self-esteem and lack aspirations will be helped along with those most likely to move into the social and economic mainstream on their own.

Lastly, participation standards must be set to ensure that significant numbers of mothers with preschool children, particularly young mothers, participate in work activities. For teen mothers who have not completed high school, work activity should be defined as high school attendance or its equivalent. This is especially important because we know that children who graduate from high school fare much better in the labor market than those who do not.

By taking these three steps, we can demonstrate to those who may see a life on welfare as their only option that they do, in fact, have a choice. We can help them before they become chronically dependent. Afterwards, not only is it much more expensive to help them up from dependency, but more importantly the chances for these people to lead self-fulfilling and productive lives is much less likely.

While we should intensify our efforts to assist those most likely to become dependent for long periods of time, we should not deal with likely long-stayers to the exclusion of others. The current makeup of the population now receiving welfare benefits is neither static nor homogeneous. We know some people will leave the AFDC rolls quickly without help. However, we should know from the recent demonstrations that a significant number of others can be helped off the welfare rolls through relatively low-cost forms of assistance such as job search and work experience. These activities can be cost effective for all levels of Government. So, while we must emphasize early intervention to prevent long-term dependency, we must also give the States substantial flexibility to tailor their employment and training programs to meet the diverse needs of their AFDC populations.

Good State programs have led the way toward improving the chance of better lives for the poor citizens by involving many more of them in employment and training programs. Good State programs have not needed additional flows of Federal dollars to accomplish this goal. These programs have sprung from excellent leadership at the State and local levels. Experience has taught us that providing high levels of Federal funding is not the way to guarantee a good State program.

If Federal funding were the key, then the Work Incentive program, or WIN, would have been a great success. In 1981 the Federal Government provided $365 million for WIN, which has a 90 percent Federal matching rate. According to State data for that year, fewer than 400,000 people, or approximately 7 percent of the AFDC caseload, participated in WIN-financed work activities. And job search and direct placement accounted for 94 percent of those activities.

Contrast these statistics with data for 1985 contained in a recent report published by the General Accounting Office, GAO.[1] They surveyed 38 States with Social Security Act funding work for activities totaling less than half of that received by all States in 1981. These States provided almost twice as many activities, or 741,000, as all of the States provided in 1981. These activities involved approximately 17 percent of the caseload in the States surveyed—17 percent as opposed to 7 percent in 1981. And data from the States that reported on activities by type indicate that 22 percent of the 1985 participants were involved in activities other than job search and direct placement, more than triple the percentage in 1981.

The experience with title XX social services is also instructive. That program was established as an open-ended entitlement with a 75-percent Federal match. It did not take long for costs to explode, compelling Congress to convert title XX into a capped program. There were two reasons for the cost explosion. The first is that

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[1] "Work and Welfare, Current AFDC Work Programs and Implications for Federal Policy" (January 1987)

States had only limited incentives to provide cost-effective services. 25 cents of their money leveraged triple the amount from the Federal Government. The second was that many States simply shifted service which they were paying for themselves or which were funded at the lower Federal match into title XX.

The way to ensure substantial participation in AFDC employment and training is to set participation standards, as the administration has done in GROW. Given what we know now, it is also the only prudent thing to do. At this time, we simply don't know enough to set outcome-oriented standards. I think we would all agree that a work program should be evaluated on the basis of results. But at the same time, I would hope we would all agree that establishing such standards when the state of our knowledge is deficient could do more harm than good.

I would add, too, that it would be imprudent to set performance standards which emphasized the intensity of interventions. Recent research by the Manpower Development Research Corporation, or MDRC, tells us why.[2] As you know, MDRC has evaluated a number of controlled experiments which have demonstrated convincingly that employment and training programs in AFDC can encourage participants to be more self-reliant.

The Baltimore program was the most expensive program that MDRC evaluated. It emphasized non-high-school education and training for AFDC mothers. No statistically significant improvement was found in the experimental group's economic position. Moreover, the demonstration was not cost effective from either a Federal or a State or local government point of view.

These findings argue strongly against performance standards or other design features which lead to the need for or reward intensive interventions. It would appear that the Federal Government should remain neutral on the intensity issue until we have gained more experience.

The Federal Government, of course, should participate in funding work activity programs. Our participation should be structured to give States incentives to run cost-effective programs. It also should provide stable and predictable funding so that States can plan and operate their programs efficiently.

The administration believes the open-ended 50 percent match rate for work activities and support services that we have proposed in GROW is the best funding arrangement to assure cost-effective programs for both States and the Federal Government. States will have certainty about what the Federal Government will provide and will be able to plan accordingly. They will also be prudent about expenditures because they will have to pay fully half the cost. This funding arrangement, coupled with participation standards, will help avoid the kind of wasteful experience we had with WIN and title XX.

The one exception we would make to the 50 percent funding rule is in funding for basic education and for training other than that provided through work experience, work supplementation, and the range of activities that constitute job search.

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[2] "Demonstrations of State/Work Welfare Initiatives" (Final Reports, September 1985, December 1985, February 1986–August 1986)

Basic education is primarily the responsibility of State and local governments. The potential for cost shifting to the Federal Government, with no benefit to the AFDC population, would be enormous if basic education were funded under the Social Security Act. This is not to say that only State and local resources would be available for basic education in GROW. The administration is proposing to almost double the funding for the adult education program by 1992. We also are proposing $800 million for the AFDC youth training initiative under JTPA. These and other federally funded programs can be used to help States meet their responsibilities in basic education. Training activities can also be supported by the youth training initiative, the $1.8 billion Job Training Partnership Act block grant, and other programs which the Federal Government funds to provide training to the disadvantaged.

Now, before I turn to other issues, I want to make two other points about work programs.

First, I know that the availability of child care to work program participants is a concern, particularly where mothers with preschool children are participants. Should a State find that paid child care is essential to the participation of an AFDC recipient, the State can use Federal 50 percent matching funds for needed support services, including child care. However, there is a vast body of information which indicates that informal child care, particularly care by relatives of the child, is not only the usual arrangement but is preferred. This is true regardless of the mother's marital status and income level and whether she works full- or part-time. Most of this informal care is no- or low-cost care.

The Federal Government could find itself spending enormous sums of money paying a high price for child care now provided at little or no cost, with no significant improvement accruing to the intended beneficiaries. We cannot and should not do so. There are gaps, and we should fill them. But we can also minimize these gaps by structuring work programs appropriately. GROW, for example, generally defines participation as an average of 20 hours per week, giving States the flexibility to tailor work activities to facilitate child care.

Second, there is the issue of transitional benefits, benefits for people who leave the AFDC rolls to work. Under current law, substantial transition benefits already are available to all such people. People who come onto the AFDC rolls and then go to work are allowed to disregard $30 and one-third of their earnings for the first 4 months and $30 a month for an additional 8 months. These disregards are not provided to working families who apply for AFDC. So you see you have an inconsistency. The standards for staying on are inconsistent with the standards for getting on. Thus, they allow families to stay on the rolls who would not be able to come onto the rolls. In effect, then, the earned income disregards provide support to people who are making the transition from welfare to work.

Moreover, AFDC families who leave the rolls because of increased earnings are entitled to four months of transitional Medicaid coverage regardless of how much they earn. If a family loses Medicaid because they lose the earnings disregards, they are eligible for up to 15 months of transitional Medicaid.

There is no evidence that transitional benefits encourage more people to take jobs or that the lack of them prevents people from leaving the rolls. Indeed, there is some evidence to the contrary.

Now I would like now to turn to the issue of child support enforcement, or CSE. Although there has been less discussion of CSE than of work program reform, there appears to be a growing consensus that improvements in CSE are needed. The administration proposes two interrelated CSE proposals designed to reduce welfare dependency.

The first would require States to adopt guidelines for setting award amounts and applying them as a rebuttable presumption. States would also be required periodically to review and modify support orders when necessary to continue to meet these guidelines. Research suggests that this proposal would increase collections on behalf of both AFDC and non-AFDC families.

The second proposal would provide incentive payments only to those States whose collections on behalf of AFDC families are at least 1.4 times the cost of running the States' CSE agency. Incentive payments were established to encourage and reward State child support programs which perform in an effective and efficient manner. However, under the current formula, even States which are performing inefficiently receive an incentive payment. Because the financing structure for the States is already generous when compared to other Federal programs, it is neither good social nor good fiscal policy to continue paying excessive rewards to States which are not cost effective in collecting child support. Certainly, AFDC families will continue to suffer if we do not correct this inefficiency.

We are willing to consider other changes in CSE that could reduce welfare dependency. In looking at these proposals, we will be guided by two basic considerations.

First, it is clear that many CSE agencies could be doing a better job of carrying out their current responsibilities. We do not believe it would be effective to burden these agencies with additional requirements. Thus overextended, it would be unreasonable to expect them to carry out their basic mission effectively.

Second, the net Federal cost of CSE agency operations already are unacceptably high in too many States. We do not support continuation of these high costs; the administration does not want to increase losses.

Now, H.R. 1720. We have a unique opportunity this year to enact measures which will improve the self-sufficiency of AFDC recipients through work and CSE reforms. However, these reforms are not a panacea. At the same time that we must put them in place, we must also initiate a process that will lead to significant changes throughout the broad range of programs that constitute our public assistance system. We need to learn more about what works in reducing welfare dependency. A way to do this is by enacting the demonstration authority the administration has requested in the Low Income Opportunity Improvement Act. I urge you to take the first step needed to enact this specific legislation, free-standing, by recommending it to the full committee.

As you now prepare to go to markup, I want you to be aware of our initial assessment of H.R. 1720. Mr. Chairman, if my remarks seem a bit critical, that is a reflection of our major concerns with it. There may be areas in which we will find as we move along in our analysis that our concerns are ameliorated somewhat. There may be other areas where we have overlooked. So let me emphasize this is our preliminary assessment.

Let me emphasize also that we don't have a copy of the bill.

Chairman **Ford**. We will make that available today, Mr. Miller.

Mr. **James Miller**. All right. Fine. We don't have a final version, I am told.

Although we have not had time to analyze this proposal thoroughly, it seems clear that this multibillion-dollar bill actually would do more to increase welfare dependency than to get people off welfare. Let's talk about NETWork. NETWork would add on the order of $1.5 billion a year to the Federal cost of the AFDC program. Yet it would do little, if anything, to reduce welfare dependency. It seems to me that what we should be doing is providing for those people who through no fault of their own find themselves in a bad position, but we also ought to be designing the system to get them back off welfare and into the mainstream and the workstream.

In essence, NETWork retains the current counterproductive system of exemptions, strongly emphasizes voluntary participation, tilts toward delayed and expensive interventions, and contains no integral provisions to ensure meaningful levels of participation in work-related activities.

NETWork's Federal matching rates are excessive, we believe. A 75-percent match for a broad range of authorized work activities creates enormous Federal cost exposure to cost shifting and support for activities that have not proven cost effective. If you look at the research, one thing that comes through is that when people bear some of the cost, they tend to be more effective and thoughtful in putting a program together. So in a sense, the higher the proportion borne by the States, the more likely that their programs are going to be efficient in meeting the needs. NETWork's match for support services, which is set at the AFDC benefit matching rate, exceeds 50 percent in many States. In combination with other provisions of the bill which increase the Federal share for benefits, it could lead to matching rates for support services as high as 82 percent. H.R. 1720 also expands transitional benefits and creates incentives for States to formalize and monetize child care.

In its entirety, and in many of its details, NETWork is more net than work. It could induce people to go onto the AFDC rolls simply to get an education, training, and support services. Now, I know that is not what is intended, but I mean that is what we have to address as we look at those incentives that are built in.

At the same time, without a commitment to early intervention and mandatory participation, NETWork would do little for those most likely to be caught in the welfare trap.

The child support enforcement provisions of H.R. 1720 and administration, legislative and regulatory proposals do share some common ground in general concept if not in detail: mandatory use of State guidelines, provisions for increasing and updating CSE awards, and requirements for prompt State action on requests for CSE assistance. These are areas in which the administration would like to work with you to see if we can achieve consensus. I think there is some mutual ground there we could probably explore, Mr. Chairman.

However, we are gravely concerned about two provisions which seem to transform the CSE program into a universal public sector system covering all child support cases in the States without regard to whether people need or request assistance. These proposals would require each State to establish paternity for every child in the State and to have an automated monitoring and tracking system covering all support orders issued or modified in the State.

The bill's CSE provisions also increase the $50 passthrough. This is one of the many provisions in the bill that would change eligibility and income determinations. There are a multitude of these provisions in H.R. 1720: minimum-benefit requirements, mandatory AFDC up, increased income disregards, and changes in categorical eligibility requirements, to name just a few.

The minimum-benefit provisions are an example par excellence of a sweeping top-down national change which would increase dependency—increase dependency—by lengthening recipients' stays on the rolls, diminishing work effort, and drawing new populations into the welfare system. I am not suggesting that is the intention of the committee, but that is our judgment of what it would do. These proposals take welfare reform legislation in a direction opposite from that the administration would support.

Now, I could go on at some length about how these many provisions are socially and fiscally unsound. We have to bear in mind that we do have budget restraints that we have got to address. You've had hearings here about how you can actually save with these programs, and we would be more than happy to work with you on ways of doing that. But we must realize some fiscal responsibility.

Suffice it to say our initial estimate is these changes would add approximately 3 million recipients to AFDC rolls, an increase of about 25 percent. At a net Federal cost we now estimate will exceed $15 billion over the first 5 years, H.R. 1720 would be considered welfare reform only if the success of welfare reform is measured by counting the number of people who are added to the welfare rolls.

The President has said that welfare reform must increase economic self-sufficiency and independence from welfare. H.R. 1720 does not pass this test, in our judgment. Again, I am not suggesting that you would disagree with the President's test. We just believe that the proposal you have before you doesn't meet this test.

Now, all of us in the administration are willing to work with you over the next several months to ensure passage of the President's demonstration authority and develop a meaningful work program and CSE improvements. We have indicated that we are willing to test a broad range of reform concepts, including those with which we do not agree, under the demonstration authority we have requested.

You know, I just have a notion that if we have this demonstration authority, some States will come up with some ideas that we will think not particularly good. But I think that we need to go ahead and allow States the flexibility to undertake these demonstrations, and I think we learn from them.

We are not, however, willing to change our definition of welfare reform so that success is measured by the number of people added to the welfare rolls, and I think to do so would be a travesty and a tragedy.

Now, Mr. Chairman, that finishes my prepared statement. I will be happy to try to address any questions you or your colleagues may have. Let me just stress that this is a very complicated issue. The institutions have grown up over a period of years. They are a morass, trying to get the bullrushes is not easy. I mean everything depends on everything else and predictions and projections about how these incentives affect work is not easy either.

So we are willing to work with you, and I think if we could agree that basically our objective is to protect those who really need protection but at the same time work toward getting these people back into the mainstream, into the workstream. There is substantial funding in the public assistance system, and if we can be fiscally responsible, I think we have an opportunity to make some real change in a system that, as I said at the beginning, then is the emerging consensus has a number of flaws.

Thank you.

Chairman **Ford**. Thank you very much, Dr. Miller.

Dr. Miller, we are working to develop a fiscally responsible bill and, hopefully, with bipartisan support from this subcommittee the full committee, and on the House floor.

But in your testimony you criticized the NETWork program as adding $1.5 billion a year to the Federal costs of the AFDC program. Are you aware that CBO, whose estimates we will use before this committee, has estimated that your GROW proposal would cost almost as much as the NETWork program?

Mr. **James Miller**. We have a substantial disagreement with CBO on the costing out of those two programs. They think that GROW would cost money. We think that it would save money.

Chairman **Ford**. Well, under your GROW program for the first 3 years it has a cost of about $647 million; under the NETWork program it's $730 million. And over a 5-year period they have the GROW program at $1.6 billion and the NETWork program at $1.9 billion.

Mr. **James Miller**. Well, we estimate that GROW will actually cost money in AFDC in 1988. I mean, setting it up is going to cost more than just leaving things as they are, but that over time it will actually save money.

CBO, as I recollect, bases some of their estimates on our looking at several demonstration projects, one of which was inefficient. We think that with the incentive structure set up under our program, that the States would be efficient. And if you remove that and average the rest, there would be a difference in the costs.

CBO does not include applicant job search; that is a $1 billion difference over 5 years. And CBO reduces savings for AFDC savings lost because of the administration's proposed repeal of the work incentive program. We didn't count that in the base because Congress has indicated they plan to replace WIN——

Chairman **Ford**. Are you suggesting that the NETWork program will not save money in the long run?

Mr. **James Miller**. Well, I stand by the figure that we had in my statement. Look, I don't count myself an expert. I haven't done the kind of research on this issue that I have done on some other issues, but I have looked at it enough to know that it is not easy to make these kinds of specific estimates.

What you are doing in estimating is trying to identify assumptions based on a few demonstrations about behavioral reactions. And you know that's fraught with error. I mean, you know, you can do the best you can, but you can't be all that certain.

That again is the reason I think we ought to have these demonstration projects that the President has asked for. We ought to give States the flexibility to try to tailor their programs to their specific situations, try some innovative schemes, see what works. If we did that, we would have a much better feel, I think, for the best solutions to some of the infirmities of the present system.

Chairman **Ford**. Dr. Miller, some analysts have argued recently that welfare programs cause poverty. Do you think that the current welfare system that is in place today causes poverty?

Mr. **James Miller**. Well, you know, it's almost axiomatic that welfare programs cause poverty inasmuch that if you make it attractive to work a lot less and receive slightly lower income, a lot of people are going to make that choice. But that is not really the issue. I guess the question is can you design a system that takes care of those individuals who through no fault of their own find themselves in very difficult straits. You know, if we've had a hundred stories told to us sitting here, I bet you the correlation among our checkoffs would be almost 100 percent. But can you do that and at the same time make it possible for those who find themselves in bad shape and get on the program to get off of the program? That is what we are trying to accomplish in the GROW program.

Specifically, you know, the research shows very clearly that the people who tend to get on AFDC and stay there tend to be children—excuse me, tend to be especially young women with very young children, and if they get on there early on, they are likely to stay for a long period of time.

So that is the reason to lower the threshold age and to encourage them to participation some work activity or, in the case of a very young mother, to go back to school and participate in education.

Chairman **Ford**. One final question, Dr. Miller. The percent of mothers on welfare who work dropped from about 14 percent in 1979 to only 5 percent in 1984. Now, how do you reconcile this apparent drop in the work efforts with this administration zeroing directly in on work and emphasizing work for welfare recipients?

Mr. **James Miller**. Well, keep in mind, Mr. Chairman, we have had over the last 5 years—not 6 years, because we had, as you know, a recession we didn't anticipate in early 1981—we have had 5 years of continual expansion in the economy. That is something we ought to be very proud about and probably ought to knock on wood about. It's very important that we not do anything, in my judgment, to upset that applecart, keep it moving straight ahead. I think that has made it possible, I think, for a lot of people to obtain employment, people who might even have applied successfully for AFDC probably have not done so because of employment opportunities that they have taken.

I wouldn't read anything negative into the fact that the proportion has fallen. I think it's something that we ought to be glad about, something that we ought to look at the data and see the extent to which it is really justified.

[The following was subsequently received:]

The economy has improved since 1979, and that may well be a factor in the decrease in the percentage of AFDC recipients who are working, as noted in my testimony. In addition, the 1981 Omnibus Reconciliation Act contained several provisions which removed families with substantial earned income off of the AFDC rolls. These provisions:

- Established a gross income eligibility cap so that applicants' and recipients' total income, including income that normally is disregarded (not counted) in determining eligibility, cannot exceed a set percentage of each State's standard of need.

- Time-limited the permanent earned income disregards available to recipients.

- Capped and appropriately sequenced the various income disregards in the program.

These changes better targeted benefits and discouraged use of AFDC as a permanent wage supplement for families capable of self-support. Critics' contentions that reducing benefits for families who work would result in their quitting their jobs to retain AFDC benefits were not borne out according to research done by the Research Triangle Institute.*

A GAO study also contains evidence that validates the 1981 changes.**

- It confirms the Research Triangle findings that the reforms had the effect of reducing welfare dependency for a population that appears capable of self-support. In fact, in three of the five sites GAO studied, the rate of return to welfare for earners who lost eligibility was lower than the rate of return before the OBRA changes. (In the other two sites, the rate of return did not change.)

- It suggests that the OBRA reforms may have broken what otherwise might have been a long-term reliance on welfare as an income supplement. On the average, according to GAO, OBRA reductions occurred six to eight and one-half years after the program participants had first received AFDC. While the study does not indicate whether the participants had been on the rolls constantly since their first contact, the data do suggest the participants had long-term ties to the system. It seems likely thus that provisions intended to promote work (income disregards), in fact, encouraged participants to view AFDC as a permanent form of income support.

- The majority of those who become ineligible for benefits following OBRA appear relatively well educated, with stable work histories. They experienced increases in earnings if they worked. Between one-half and three-quarters of those who lost AFDC had 12 or more years of education; in addition, they had worked for the same employer on average about three years. Former recipients' average monthly earnings increased substantially. About 71 percent of those working increased their earnings. The average increase ranged from $71 per month in Memphis to $233 per month in Boston.

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*"Final Report, Evaluation of the 1981 AFDC Amendments," April 15, 1983.

**"An Evaluation of the 1981 AFDC Changes: Initial Analyses," April 2, 1984.

Chairman **Ford**. Thank you.

Mr. Downey?

Mr. **Downey**. Thank you, Mr. Chairman.

Let me say, Mr. Miller, this is a remarkably thorough analysis for an agency that didn't have the bill. [Laughter.]

Mr. **James Miller**. You do not have the final version, do you? We have drafts that keep changing. We don't have the final. So we won't, until you mark it up, be able to comment definitively on what it contains.

Chairman **Ford**. Well, H.R. 1720 is a draft of the final bill.

Mr. **James Miller**. Well, obviously we had materials, or else I wouldn't have been able to give you some information on it. But we have had some difficulty because the provisions through the various drafts keep changing. As I said, we don't have a final version, but I am glad to be able to hold this print in my hand. [Laughter.]

Mr. **Downey**. May I ask you if you think that poverty is a national problem?

Mr. **James Miller**. Poverty is a national problem, yes. I mean it's something that we deal with every day.

Mr. **Downey**. Do you find it troubling that children in certain parts of our country receive a lot less in the way of benefits and payments than children in other parts of our country?

Mr. **James Miller**. In some parts of the country?

Mr. **Downey**. I mean, for instance, in Alabama, where a poor child in terms of income maintenance is likely to receive significantly less than a poor child, let's say, in Alaska or New York or California?

Mr. **James Miller**. Why don't we use Georgia, which is where I am from? I think the same thing holds true there. There is a tradeoff here. I think it would be unwise at this point—and maybe I am jumping ahead from the import of your question, Congressman—to think in terms of a national standard. I think we still need to give States flexibility.

However, obviously, to the extent that children in some States are not being well cared for and who again through no fault of their own find themselves in that situation, we ought to be concerned about it.

Mr. **Downey**. Let me ask you why it is that for the aged, blind, and disabled, and included disabled children in some instances, we have no problem of having a national standard. Indeed, an elderly person who is poor receives a national minimum benefit of $340 a month, and an elderly couple that is poor receives a national minimum benefit of $510 a month. Why is it appropriate for us to have a national minimum benefit or standard for the aged, blind, and disabled, and not have one for an infant in Georgia or an infant in New York? What is the difference in your mind? Could you explain that to me?

Mr. **James Miller**. Well, again, the situations vis-a-vis children probably are less homogeneous than they are for elderly among the various States, and traditionally this has been viewed as less a national responsibility, whereas, as you know, under Social Security——

Mr. **Downey**. They are both under Social Security, Mr. Director.

Mr. **James Miller**. Right.

Mr. DOWNEY. Both are titles of social security.

Mr. JAMES MILLER. Yes. But it is a matter which it seems to me that we ought to have better knowledge of the situation before we move forward.

Mr. DOWNEY. What better knowledge do we need to know that a child in Alabama only gets $44 in income maintenance and yet an elderly person who is poor in Alabama gets $340? What more do we need to know about poverty that we do not now know? I mean, I asked you a question about trebling. It seems to me that we have a golden opportunity. I mean, I know the President is a compassionate man. My guess is—and you have talked about the checkoff—is he aware of this disparity, that we have one standard for the elderly and one standard for children?

Mr. JAMES MILLER. Look, Mr. Downey——

Mr. DOWNEY. Is he aware? That is a question?

Mr. JAMES MILLER. Yes, he is aware that the average income for elderly people is higher than it is for the national average and that for children, some children in situations, poor situations——

Mr. DOWNEY. Well, how do we justify? Give me some salve for my liberal conscience here as we go through this process, that we can justify the poor children in this country receiving significantly less than the poor elderly? What is the justification for that?

Mr. JAMES MILLER. Mr. Downey, you have asked the wrong kind of doctor. I am not one of those kind of doctors. I can't prescribe salves. But keep in mind that the amount paid by social security covers a very large population, not just the poor populations, so if you are looking at averages there, I don't have an easy answer to the question you raise. It's less expensive in a family context to raise a child. Children tend to be healthier than elderly people. I mean, there are some differences.

Mr. DOWNEY. The median benefit for three people in the United States is $346 to $354 a month, according to the tables that are in our committee, which is roughly what we pay—and I might add, all of these families are eligible for the same thing. In SSI you would be eligible for a housing allowance, you would be eligible for food stamps, you would be eligible for subsidized meal programs, and if you are on AFDC you would be eligible for a housing allowance and energy allowance and all the other things.

So what we are simply talking about is that we are prepared to accept a standard of care for one group of our population and a significantly smaller standard of care for, in many instances, the most helpless among us. I find that, frankly, a troubling concept. And apparently you do, too, but there doesn't appear to be much in the way of relief under the administration's experimental programs that they would like to see us do.

Mr. JAMES MILLER. Keep in mind that under our experimental programs, States would have opportunities to direct target funds more precisely on children or whomever.

Mr. DOWNEY. Right.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman.

First, I would observe that Mr. Downey makes a very valid point and his point is well worth considering as we deliberate this bill.

However, let me add some caveats to his point about low and declining benefit levels. One, some of our programs do provide national standards. Mr. Downey has addressed his concern to the AFDC program and compared it to SSI. But food stamps has national standards, low income energy has national standards, or the WIC program some national standards, and medicaid has minimum national standards.

So while a portion of the package that goes to assist the poor in this country is not based on national standards, much of the package is based on national standards. So the problem is perhaps more limited than Mr. Downey suggests.

The second observation is that the elderly poor are not expected to work, basically because their ability to do so is quite limited. A portion of the parents—not all but a portion of the parents—who receive AFDC are able to work.

Mr. DOWNEY. Would the gentleman yield? Yes, but two-thirds of the recipients under AFDC are not parents, they are children.

Mr. BROWN. Certainly a valid point. That point, though, does not diminish a parent's obligation to the child and to earning an income and setting an example for the child to emulate.

Mr. DOWNEY. I agree with that completely. What happens, though, for the very young child who through no fault of his or her own is in a family whether parents are irresponsible, incapable, or not directed properly? All I am suggesting is that those people get treated much worse and much differently through no fault of their own. That is my concern. Whereas the point that you make about the elderly—and I would repeat, all of those same services, housing, programs for low-income energy, Medicaid, are all available to both groups, both the SSI and the AFDC. And yet the income maintenance portion for one is significantly different from the other. That is my point.

Mr. BROWN. Yes. I think the point the gentleman makes about children in those particular households where the parents may not be responsible is a very valid one.

Mr. JAMES MILLER. But, you know, Congressman, that really goes to a very fundamental question about the nature of families. You know, the AFDC money going to the child goes to the parents and the parents usually have control over it. So it's a lump of money that they have control over.

Mr. DOWNEY. But it is larger in some States significantly than in others.

Mr. JAMES MILLER. Yes. Cost of living is also quite dramatically different.

Mr. DOWNEY. Right. Do you think it is five times different in Alabama from other places?

Mr. JAMES MILLER. Again, you know, if the parents have control over the lump sum, the question is how different would be the total for a representative family. I don't have those figures at my hand, but it is probably not five or anything like five.

Mr. DOWNEY. Well, the disparity between what people receive under AFDC is as much as that between the State of Alabama where the range is from $118 to $749 in Alaska, as an example. So you are right, it's not five.

Mr. **James Miller**. Of course, those are obviously the extreme cases. You know, in Georgia we hear about people in New York City paying hundreds and hundreds of dollars, even over $1,000 for a place to live, and that seems rather extreme because a place to live doesn't cost nearly as much in Georgia. The cost of living does differ by locale.

Mr. **Brown**. A single parent with two children and no income is eligible for AFDC, food stamps, housing, and Medicaid benefits worth a little over $7,000 in Alabama and a little over $11,000 in California. So while there is wide variation in the AFDC benefits across the States, when you look at the entire welfare package that variation is not nearly as wide.

Mr. Miller, let me ask you about a couple of the points you brought up. One of them relates to AFDC exemption policy. Current law exempts single parents with children under 6 years old. Your suggestion is that we require AFDC clients to be involved in some training, education, or work program if the child is over 6 months.

Mr. **James Miller**. Right. Or even less at State option.

Mr. **Brown**. What kind of obligation are we looking at? Are you suggesting full-time work? Are you suggesting half-time work?

Mr. **James Miller**. Well, what we have is a 20-hour obligation, an average of 20 hours a week. Again, if the mother is very young, we would send them back to school. But otherwise, in some kind of training program or some work program.

Mr. **Brown**. So when we talk about an obligation for a mother with a 6-month old infant, you are proposing a part-time commitment to education, training, or work.

Mr. **James Miller**. Some sort of program. We would propose some flexibility for the States, but what we envision is something in which we do not anticipate that everyone has to go out and work 40 hours a week.

Mr. **Brown**. So you are not recommending that a parent leave small children for 40 hours each week.

Mr. **James Miller**. Yes.

Mr. **Brown**. There have been some questions about the cost of the administration's programs. And I appreciate the remarks you made about how difficult it is to estimate these costs. Does the administration proposal have an overall cap, and should it have one?

Mr. **James Miller**. Well, some of the programs we have do not have a cap, and we make estimates of what these things are likely to cost. It's the same problem you find in any entitlement program. We have found in the past that some of the programs we have initiated, Congress ends up putting a cap on them because they tend to get away from us. But we think that the work program is one where we should not have a cap when it is structured as we have structured it in GROW.

Mr. **Brown**. Do you have a preliminary estimate of the cost of the Ford bill?

Mr. **James Miller**. Well, just what I have given you in my testimony. We would be glad to give a more definitive costing of the bill when we have an opportunity to complete our analysis on it as you go to markup, and I suspect that you will be making further changes, and we will have to deal with those as they come.

Mr. **Brown**. I have one other question. Can you give us the administration's view of the sections of the Ford bill that relate to basic benefit increases?

Mr. **James Miller**. Let me respond to you later on that.

Mr. **Brown**. Of course. Thank you.

[The following was subsequently received:]

H.R. 1720 expands basic benefits in the following ways:

- o It establishes a minimum benefit, set at 15 percent of State median income, at the end of five years, and it provides an increased Federal match to States for any benefit increases they make in the intervening five years.
- o It mandates AFDC-UP and eliminates the 100 hour rule for UP recipients.
- o It provides that the Earned Income Tax Credit is not counted in determining eligibility and benefits.
- o It increases earned income disregards; applies them to applicants, as well as recipients; and removes current limitations on the number of months the disregards can be claimed.
- o It increases the child support passthrough (disregard) from $50 to $100 and applies it to applicants as well as recipients.
- o It allows States to further increase both the earned income disregard and child support passthrough so long as they do not violate the gross income cap.
- o It increases and converts to reimbursements the child care and work expense disregards. The conversion to reimbursements has the effect of further increasing the value of earned income disregards, thereby increasing both benefits and eligibility.
- o It provides that parents' income is not taken into account in determining the eligibility and benefits of minor mothers.
- o It expands the definition of a dependent child.

The Administration opposes these changes because there is a vast body of evidence which suggests that they will increase rather than decrease welfare dependency. I would like to first highlight some of the evidence on the effects of increasing benefit levels in general and then turn to information relevant to some of the specific kinds of changes proposed in H.R. 1720.

We know that length of stay on the welfare rolls is positively correlated with benefit levels: that is, higher benefits result in longer lengths of stay.

- David Ellwood's 1986 study notes that "persons in high benefit States experienced longer stays and were more likely to return to welfare, all else the same."[*]

- Urban Institute researchers, working with three different data sets, find that higher benefit levels generally lower the probability of leaving welfare.[**]

We also know from the income maintenance experiments and other research that when benefits are increased, work effort overall goes down.

Research also indicates that welfare benefit levels have a large effect on the choice of young mothers to leave or stay in their parents' homes. If young mothers move out of the parental home, they may lose much of the emotional and financial support available to them, and they may also lose help with child care essential to their finishing school and preparing for self-sufficiency. The major study on this topic found that in 1975 a $100 increase in monthly AFDC benefits would lead to a major increase in the number of single mothers age 16 to 24 living away from their parents. Overall, a $100 benefit increase would reduce the fraction of young single mothers who live with their families by 30 percent and increase the fraction living alone by two-thirds.[***]

In addition, it is axiomatic that increasing benefit levels makes additional people eligible for welfare, drawing new populations onto the rolls.

Many of the changes proposed in H.R. 1720 that increase benefits are designed to increase the kinds and amounts of income that applicants and/or recipients can have disregarded (not counted) in determining eligibility and benefits. These provisions would not only roll back reforms enacted in 1981 which better targeted benefits and discouraged dependency, they would reverse them.

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[*] "Targeting 'Would-Be' Long Term Recipients." (Ellwood theorizes that these results reflect the fact that women with earnings are more able to stay on the rolls in high than in low benefit States. However, in the period covered by his data, the percentage of earners on the rolls was small in all States and was lower in high-benefit States than in low-benefit States.)

[**] "An Analysis of Time On Welfare," by June O'Neill et. al., June 1984

[***] "The Impact of AFDC on Family Structure and Living Arrangements," by David Ellwood and Mary Jo Bane, March 1984

Not "deeming" or counting parents income in determining eligibility and benefits for minor mothers, for example, would mean that even mothers from high income families could go on AFDC. A better means of mitigating the incentives AFDC can create for low-income minor mothers to leave the parental home is to require them to stay in the home as a condition of receiving AFDC unless doing so would be deleterious to them, a proposal long advanced by the Administration.

Many of the changes in H.R. 1720 which would increase benefits and eligibility -- indeed a preponderant number of them -- increase directly or indirectly the amount of earnings-related income that could be disregarded in determining eligibility and benefits. These changes seem to be based on the assumption that AFDC recipients will work more if more of their earnings-related income is "taxed" at less than 100 percent, i.e., if their welfare benefits are not reduced by one dollar for each dollar of earnings-related income. In fact, research and experience with AFDC do not support this assumption.

o The Research Triangle and GAO studies of the effects of the 1981 changes, which are cited in my first response for the record, indicate that the steps taken to limit disregards of earned income did not reduce the work effort of those who were working at the time the changes were implemented, nor did they reduce the uptake of work by those who were not working below the levels observed prior to the changes. As I have noted, these studies suggest that income disregards had encouraged families who were capable of self-support to remain dependent upon welfare, using it as a permanent supplement to their earnings, rather than encouraging them to become self-sufficient.

o Results on the effects of tax rates on work effort from the Seattle/Denver Income Maintenance Experiments also do not support the assumption underlying the proposed changes. Indeed husbands and wives in married-coupled families (a welfare population that would be greatly expanded under the changes proposed in H.R. 1720) reduced their work effort more at the lower than at the higher tax rates tested -- the reverse of what was expected and what H.R. 1720 seems to assume.

o Program data also provide no support for the assumption. The original earned income disregard, enacted in 1967, was designed to promote work effort. Nevertheless, program data indicate that the same percentage of AFDC mothers -- 15 percent -- worked before (1967) and after the change was fully implemented (1971).

Research also does not support the concept most commonly advanced for making the AFDC-UP program mandatory. UP proponents argue that States' decisions not to provide UP encourage husbands to leave their families so that their wives and children can receive welfare. This argument is not supported by evidence from carefully controlled experiments. In the Seattle/Denver Income Maintenance Experiments (SIME/DIME), intact families (as well as female-headed families) received benefits, and a family was clearly better off staying together. Nevertheless, rates of marital dissolution were as high or higher for married couples who received benefits than for those who did not.*

The concept that mandatory UP is necessary to avoid marital break-up assumes that parents will make long-term marital decisions based largely on short-term income comparisons. If that hypothesis were true, then SIME/DIME would have found lower rather than higher marital break-up rates for the experimental groups. Instead, it found the reverse. The lesson suggested by these results is that marital decisions are not made primarily on economic bases.

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*Cain recently reanalyzed the SIME/DIME data, looking only at families with children. By cutting down the sample size, he made it more difficult to find "statistically significant" results, and he found none for two-parent families. Much has been made of this fact. Nevertheless, Cain's data still show that the marital break-up rate was higher for two-parent families with children receiving benefits than for those who did not: 16 percent higher for whites and 27 percent higher for blacks.

Mr. **Brown**. Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Pease.

Mr. **Pease**. Thank you, Mr. Chairman.

Mr. Miller, first of all, I appreciate your testimony.

Mr. **James Miller**. Yes, sir.

Mr. **Pease**. I thought it was excellent testimony, and it is clear to me that the administration has put a lot of thought into the subject of welfare reform, and I appreciate that, I want you to know. Obviously, we are going to disagree on a lot of points, but from my point of view it is good that the administration is grappling with this issue.

I don't really want to get into the discussion too much between Mr. Brown and Mr. Downey and yourself, but I was struck by the fact that in a one-person family on SSI, that person gets $340. If you add another person, then the two-person family gets $510. So we are providing $170 additional for a second person.

Under AFDC, on the national average, going from a two-person family to a three-person, we add $72 for the second person. In my State of Ohio we add $54 and in your State of Georgia you add $42.

So I think Mr. Downey may have a point that from the point of view of national standards, a second person in a family that is over 65 is worth $170 and in a family that is poor and under 65 it is going to be $54 or $42 or whatever.

Mr. **James Miller**. But—excuse me, I am sorry.

Mr. **Pease**. Well, go ahead.

Mr. **James Miller**. Could I respond to that point? There is a perception in the land that social security is a payment for something when people pay in, when people retire.

Mr. **Pease**. This is not social security, this is SSI.

Mr. **James Miller**. SSI. I am sorry.

Mr. **Pease**. It used to be called welfare for the aged. Now it's called SSI.

Mr. **James Miller**. I am sorry, I misunderstood what you said.

Mr. **Pease**. At any rate, we may not be able to afford to set a national standard, I don't know. But certainly I think the case is there.

I really want to talk to you about another subject. In your evidence or in your testimony you say, "There is no evidence that transitional benefits encourage more people to take jobs or that the lack of them prevents people from leaving the rolls. Indeed, there is some evidence to the contrary."

Does that statement apply to medical coverage, medical insurance coverage as well?

Mr. **James Miller**. I believe so. Let me ask Debbie Steelman, who is my Associate Director for Health, Human Resources, Labor, and VA.

Chairman **Ford**. She may come to the witness table.

Ms. **Steelman**. Those studies related only to the disregards.

Mr. **Pease**. Only to the disregard?

Ms. **Steelman**. Yes. We have no direct evidence regarding the Medicaid eligibility. And States do have the option of providing up to 15 months, which we think is an appropriate level. It goes 4, 9, and 6 months for families with earnings.

Mr. Pease. OK. So you are not suggesting that lack of transitional Medicaid coverage or health insurance coverage would not dissuade people from leaving the welfare rolls?

Ms. Steelman. We do not believe that is the case.

Mr. James Miller. We are not proposing to change anything there. The question is what other transitional assistance might be provided.

Mr. Pease. OK. So your package would maintain current law as far as Medicaid coverage is concerned. Do you have a position on the chairman's bill which would extend from 3 or 4 to 12 months coverage under Medicaid people who leave the welfare rolls?

Mr. James Miller. We propose no change. We think that the existing levels are sufficiently generous. The whole idea, as you know, is to help the person when they get off, not to have such a substantial disincentive for a person who leaves AFDC.

Mr. Pease. Well, whatever the period of time is, whether it's 4 months or 1 year or whatever, at some point people are going to drop off. My concern is that those who leave welfare to go into the work situation are going to reach the end of that period, whether it's 4 months or 1 year, and not have had enough of a raise during that period to pay $2,000 premium for a private health insurance plan.

Do you consider it to be a problem worth addressing? In other words, would you favor or consider a longer transition even if we could figure out a way to make people pay for it, or at least to participate in the cost of it?

Mr. James Miller. Well, Congressman, you're asking me if the longer transition phase would make some difference. It might make some difference. The question is would it be worth it in the costs the taxpayers generally would have to bear from the evidence we have seen and the surrogate evidence we have seen—and again let me just stress a lot of these areas, we don't know, we just don't have good demonstrations in, so we are looking at surrogates—things like what we're proposing or propose to keep. We don't think that the quantitative effect of moving from where we are right now—would be significant.

Mr. Pease. How many people benefit from the current law transition policies from Medicaid? Do you have any idea?

Ms. Steelman. No.

Mr. Pease. No numbers?

Ms. Steelman. We can provide that information.

Mr. James Miller. We will provide that for the record.

Mr. Pease. OK.

[The following was subsequently received:]

Limited information is readily available on the number of families who benefit from Medicaid transition provisions. Of the 2.1 million families who left AFDC in FY 1985, an estimated 25 to 35 percent received such benefits. These estimates are based on program data and research on reasons AFDC recipients leave the rolls. (As you will recall, the majority of AFDC case closings are due to family status changes, such as marriage and remarriage, rather than to increased recipient earnings or child support, which trigger Medicaid transitional coverage.)

To our knowledge, no research has been done on the effects of Medicaid coverage on work effect. However, the Research Triangle and GAO studies cited in my preceding responses for the record suggest it is not the critical factor that some believe it to be. Both of these studies found that families with earnings were no more likely to return to AFDC after the 1981 changes than they were before. The families with earnings who lost AFDC eligibility due to the 1981 statutory changes were not eligible for Medicaid transition benefits. Therefore, if Medicaid coverage were key to employment decisions, one would expect that the "return rate" for families with earnings would have increased after the changes. The fact that it did not suggests that Medicaid coverage did not influence these families' job decisions.

Mr. **Pease**. Let me ask you another question. Using your own figures, what costs do you attribute to your welfare reform proposals, above and beyond current law?

Mr. **James Miller**. As I indicated, there would be a slight increase in AFDC costs for fiscal year 1988 under the GROW proposal, but it would save in the out years a couple of billion dollars.

Do you have those figures? Go ahead.

Ms. **Steelman**. We anticipate an $8 million expenditure over the current level for WIN; $118 million, in other words, total for the program. We anticipate AFDC savings of about $517 million by the fifth year.

Our differences with CBO over the costing did have three very distinct elements that we are talking to CBO about. We have quite an extensive analysis of that that we would be happy to provide you.

Mr. **Pease**. The $517 million is an annual figure in the fifth year?

Ms. **Steelman**. That's correct.

Mr. **Pease**. OK. So if we design a program that will meet your approval, we've got to figure out a way to have less than zero cost. Is that the idea?

Mr. **James Miller**. Well, let me say we have obviously got to be fiscally responsible. The second caveat I would put on it is that I think we ought to make sure that where we spend the money, we have good reason to believe that it would be productive.

Mr. **Pease**. Sure.

Mr. **James Miller**. And as I have just said, I agree that the evidence is not all that dependable in every category. But we are willing to work with you on that.

I think, again, though, that what we ought to do is give the States some requisite flexibility and see what they can come up with, and we will have a much better idea.

Mr. **Pease**. Thanks, Mr. Chairman.

Chairman **Ford**. Mr. Frenzel?

Mr. **Frenzel**. Thank you.

Thank you, Director Miller, for your testimony. I need clarification here, too, about what is acceptable to the administration. If this committee were to pass all of the welfare suggestions that you have made to it, what would be the net cost compared to the current baseline?

Mr. **James Miller**. Current law? Current law zeroing out WIN or assuming that WIN stays? Because Congress has essentially said they would replace WIN.

Mr. **Frenzel**. Let's forget WIN.

Mr. **James Miller**. OK.

Mr. **Frenzel**. Just the things that are contemplated in your plan.

Mr. **James Miller**. Let me ask Ms. Steelman to give you the figures.

Ms. **Steelman**. The AFDC GROW proposal we would anticipate costing about $118 million in fiscal year 1988. Of course, we did propose to replace WIN, so we look at that as a net of $8 million. We also have the AFDC youth proposal, which is a combination of summer youth money and other money, a total of $800 million. But again that was budget-neutral to the President's baseline.

Mr. **Frenzel**. Yes. We have a little jurisdictional problem there, don't we?

Ms. **Steelman**. That's right.

Mr. **Frenzel**. Mr. Chairman, they are saving some money off another committee and suggesting that we spend a little more here. Is that the way that works?

Ms. **Steelman**. Well, the AFDC youth proposal would continue to be run through the summer youth officials, and that would be out of the Labor Committee.

Chairman **Ford**. Yes, that would fall under the Education and Labor jurisdiction.

Mr. **Frenzel**. OK. So basically, you are looking at a total reform program that is revenue-neutral.

Ms. **Steelman**. Yes.

Mr. **Frenzel**. From this committee. That is going to be difficult for the committee to tussle with, and we are going to want to work with you, Mr. Director, and see if we can find something that at least comes close to satisfying the needs of both parties.

Mr. **James Miller**. But, you know, if you just step back and say the program isn't working very well, the first step, it would seem to me, would be to take the money that we are spending and spend it better. That is essentially what we are proposing to do in two dimensions. One, give States some flexibility under the demonstration authority so they can use the money to their own particular situations more effectively; and second, from the information we know and we have, see if we can't reform the AFDC work program and make it work better. That is basically what we are doing rather than adding.

You know, it seems to me that in this whole welfare area, it's like in so many others. We shouldn't start from the basic premise that if it isn't working very well then it means we need to spend more money. I think the first step is to take the money we are spending and make it go further.

Mr. **Frenzel**. You have been around here long enough to know that most people in Congress think if something isn't working well we should spend a lot more money on it. That is an attitude that we have to fight from top to bottom. Some people believe that reform is simply working with the program and altering it. Some people believe it means you've got to hold harmless all the current claimants and find some more claimants. Others believe that you've got to repair all of what they consider to be the inadequate benefits. What we are trying to do is to work with you to see if we can accommodate some of the needs of all of the parties without putting ourselves in line for a veto.

So as we move the bill along, we need to know exactly how you feel about it. And I don't expect you to have a statement today other than that which you gave, which is that you would like a revenue-neutral kind of thing. But as the bill works its way along, we would like to have your frequent comment or that of your deputy.

Mr. JAMES MILLER. We would be glad to do that.

Mr. FRENZEL. The other question that gives me great pause is the cost estimate of your GROW program that you made and the cost estimate of CBO.

Mr. JAMES MILLER. Right. The difference.

Mr. FRENZEL. I wonder if your deputy can give us a little more amplification of how we got so far out of sync on that number.

Ms. STEELMAN. It is a matter of assumptions, and they are significant assumptions. We continue to talk to CBO about it. I will talk about the three essential differences, but then I will be happy to provide you with our analysis of it.

Basically, CBO did not assume that States would use the most cost-effective programs in trying to help people off the rolls. There have been several experiments as to what is most cost effective: is it job search, is it job preparation, is it something more intensive?

Our assumptions were based on the fact that the State, because of the 50–50 match, would go to the most cost-effective method. CBO did not make that assumption. They said that States would continue to do very intensive intervention even when it didn't prove most effective.

That was the first element.

The second element is that CBO did not include at all one of the least expensive and perhaps most effective things you can do for a certain number of AFDC recipients, and that is applicant job search. That accounted for about $1 billion over the 5 years. The element I mentioned earlier accounted for about $2.2 billion over the 5 years.

Lastly, we did not include WIN in our baseline because, as you know, the President's proposals were to replace it, reflecting Congress' stated intention to replace WIN. CBO, on the other hand, did include that in their baseline. That accounted for about $300 million over the 5 years.

Mr. FRENZEL. Thank you very much.

Mr. Director, now that you have the chairman's bill, I hope that we will get your up-to-date analysis on the costs.

I am interested in your suggestion here of the cost of that bill over 5 years. We have some figures from CBO for the chairman's bill for 3 years.

They do seem to continue to be rising sharply, and I would hope, Mr. Chairman, that both from CBO and from OMB that we could run those figures out beyond the 3- and 5-year periods because it looks to me like we've got the costs escalating through infinity unless there is some kind of flattening of the growth curve of costs.

Can you help us with that a little bit?

Mr. JAMES MILLER. We would be glad to do that. Again, you know, the whole exercise is fraught with uncertainty because knowing exactly what the behavioral response will be is not easy to document. But we will do the best we can do. Maybe we will give you some ranges as well.

Mr. FRENZEL. This committee is used to making vast fundamental errors. [Laughter.]

But we would feel more comfortable at least if we and some people's—notably yours and CBO's and other interested groups' as well—estimates on what we had for the long-term as well.

Mr. **James Miller**. We would be glad to provide you with that.

Mr. **Frenzel**. Thank you very much.

[The following was subsequently received:]

The preliminary cost estimates transmitted to the Committee with the Department of Health and Human Services views letter indicate that the five year AFDC cost of H.R. 1720 would be some $18 billion. Based on these estimates, the full implementation cost in AFDC would be approximately $7 billion per year.

The AFDC costs of H.R. 1720 would continue to rise sharply until 1993, the year in which the various benefit and eligibility expansions are fully phased in. After 1993, AFDC costs for H.R. 1720 would continue to increase each year because of two factors:

The Federal matching rate would increase each year. H.R. 1720 provides that the Federal share for each State is recalculated annually, with a higher rate for benefits above FY 1987 levels. The proportion of benefits to which this higher rate is applied will increase each year as States increase benefits to meet minimum benefit requirements and/or to protect higher benefits from inflation. Consequently the average Federal matching rate would increase each year.

The indexed disregards would increase with inflation. This would increase benefits and also raise eligibility levels, adding costs for both reasons.

Mr. **Frenzel**. Thank you, Mr. Chairman.

Chairman **Ford**. Thank you.

Mr. Matsui.

Mr. **Matsui**. Thank you, Mr. Chairman.

Mr. Miller, I wish you were here in 1981. The President thought that we had a real problem with our national security, and that the defense budget was in bad shape. Perhaps all we should have done was just made rearrangements in the priorities of the defense budget instead of increasing it by 40 percent in real terms. We probably would have been a lot better off as a country, and we probably would have more national security at this time.

I am just hopeful that we are going to be able to get a bipartisan bill. Your comments today give us some hope, although not much, I have to admit. There are two ways that this committee can move. We can just come up with a very partisan piece of legislation, put some of our colleagues on the spot and let the President attempt to veto it in 1988 during a Presidential election year. We can see who wins in that situation.

Or, we can really try to craft a bipartisan bill as we have in the area of trade and tax reform last year. But that means that both sides are going to have to give. However, if we talk about a zero-sum situation, we are certainly not going to embark upon the latter course. I think it would be very difficult to do that.

Mr. **James Miller**. We did that in tax reform, though.

Mr. **Matsui**. I'd like to turn to comments you made at the end of your statement, where you have indicated that there will be approximately 3 million more recipients on AFDC as a result of this legislation, H.R. 1720, what is that based upon?

Mr. **James Miller**. Let me give you that information in writing. I would be glad to do that.

Mr. **Matsui**. All right.

If you have some backup data in terms of any studies that you have done or economic analysis, that would be helpful as well.

Mr. **JAMES MILLER**. We would be glad to give that to you.

[The following was subsequently received:]

Below is a table reflecting HHS' preliminary estimates of the numbers of people added to the AFDC caseload as a result of H.R. 1720.

NUMBERS OF PEOPLE ADDED TO THE AFDC ROLLS AS A RESULT OF THE H.R. 1720
(people in thousands)

	1988	1989	1990	1991	1992
Total	1,500	2,250	3,000	3,300	3,630
Adults	641	920	1,227	1,350	1,485
Children	859	1,330	1,773	1,950	2,145
In UP Families	1,000	1,125	1,500	1,650	1,815
In Single Parent Families	500	1,125	1,500	1,650	1,815

Source: HHS

As I noted in my first response for the record on benefit increases, H.R. 1720 contains many provisions which increase benefits. The same provisions also add people to the AFDC rolls by (1) making more families eligible for the program through the addition of new groups of beneficiaries (e.g., mandatory UP and the 100-hour rule) and increases in the incomes which families may have and still be eligible for benefits (e.g., disregard expansions) (2) making AFDC more attractive and thereby increasing the participation rate of those already eligible and (3) reducing the work effort of those families whose incomes are near the newly established eligibility levels, with the result that they will become eligible for the program.

Among the major sources of new eligibles are the provisions related to the minimum benefit standard, mandatory UP, elimination of the 100-hour rule, and the multiple changes made in earnings-related disregards. There also are important interactions among these provisions. For example, more families would be made eligible by mandatory UP under a minimum benefit standard than without such a requirement; and more two-parent families would stay on the rolls with substantial earnings due to the 100-hour rule and permanent earnings-related disregards changes in combination than under either of these changes made separately.

The estimates in the table are based on computer simulations of H.R. 1720's provisions by the Urban Institute and ICF Incorporated. In addition, they reflect the findings on work effort from the Seattle/Denver Income Maintenance Experiment (SIME/DIME). In SIME/DIME, husbands, wives and female family heads all reduced their work effort significantly in response to the availability of cash transfers. (The reductions in hours worked averaged nine percent for husbands, 20 percent for wives and 14 percent for female family heads.) A modest adjustment in work effort, less than that observed in SIME/DIME, is reflected in the table above.

Mr. **Matsui**. Then the last question I have—and I am not going to go into the details, but you have indicated that the NETWork program is more net than work and it could induce people to go onto the AFDC rolls simply to get education, training, and support services. If you take a woman 19 years old, who doesn't have a high school education, but has a child, let's say, 4 years old and another one 3 years old. She would certainly qualify for some educational benefits. Do you think that would be a good thing if we establish a program that would induce her to get education, training, and support services? Or do you have a fundamental problem with that?

Mr. **James Miller**. Well, your example says that a person already on the AFDC rolls would be induced to take advantage of these opportunities. What we don't want is to try to encourage people to position themselves in a situation artificially to qualify for AFDC simply because the attractions of the program are so great.

You know, it's just a very difficult thing to do, to have benefits high enough that it helps but not so high that you waste a lot of taxpayers' resources. So the finetuning of these things is what we're talking about.

Mr. **Matsui**. Thank you. I have no further questions.

Chairman **Ford**. Ms. Kennelly?

Ms. **Kennelly**. Thank you, Mr. Chairman.

Thank you, Mr. Miller. Just to continue that line of thought, sir, I have been with the committee and we have looked at the whole welfare reform situation and have had hearings for 18 months. I want to comfort you and tell you that we have not brought forth a Harvard, let alone a good community college. But what we do in this bill is not going to make people go on welfare. There are other reasons people go on welfare.

But I do want to ask you about something. In our hearings Secretary Bowen and others from HHS have said, very similar to what you have said in your testimony when talking about day care, that people prefer their children to be taken care of by family and relatives and all. That is true.

However, we have found that often, because of the stress the person or the child is under, that support system is not there or it's in the form of a 10-year-old taking care of a 4-year-old.

So I would just like to ask your staff if you could just share with us some of that vast amount of material that supports this. We hear it as a desire, but we don't have information saying that you can match a good day care system with a family that doesn't exist.

To the revenue-neutral figure, there is a certain amount of, I don't like to say bureaucracy, but setting up of a new system for your program. Does that have increased costs? Is that a factor?

Mr. **James Miller**. Well, I mean, they are very, very minor. Basically what we have there is a panel that approves these requests that come in from the Governors and so the amount of money, additional money from the Federal Government, is very small. We do have in the GROW program, as Ms. Steelman indicated, a slight uptick in AFDC costs for 1988, though over the longer term we anticipate savings.

Ms. **Kennelly**. Revenue-neutral, though, still supporting the 6-months-and-up for mandatory education or training. It is 6 months you're talking about, and you've got some situations, and we're not going to talk about all of them now, where a woman is still breast feeding. There are added costs there. How do you get revenue-neutrality and provide adequate quality day care?

Mr. **James Miller**. Well, you have additional costs in that you send people to work-related activities and you pay for that. But on the other hand you get people off the welfare rolls, off of the AFDC rolls, sooner. So there are both increases and decreases in costs.

Why don't we send you——

Ms. **Kennelly**. Yes. I know you are tired, you have been here for a long time.

Mr. **James Miller**. Actually, I testified once before coming over here. But why don't we get back to you.

[The following was subsequently received:]

The Administration estimates that its proposed employment and training program in AFDC, Greater Opportunities through Work (GROW), will have modest net AFDC costs in 1988 and will save substantially in subsequent years, with $517 million of net AFDC savings expected in 1992 (see Table 1). The net savings are the difference between gross program costs for administration, work activities and support services, and gross savings in AFDC benefits as program participants obtain employment or increase their earnings. GROW is also expected to yield significant Medicaid savings but negligible Food Stamp savings.

CBO's recosting of the Administration's Budget shows GROW costing rather than saving money in AFDC each year. According to CBO, the net AFDC cost of GROW would rise to $756 million by 1992 (see Table 2) suggesting that the program is simply not cost effective. As shown in the two tables, the very large difference in net AFDC costs is the result of CBO being more pessimistic about both costs and savings: their gross program costs are 25 percent higher than the Administration's, and their gross AFDC savings are 71 percent lower than the Administration's. While CBO does not show any Medicaid savings from GROW, it does estimate savings in Food Stamps.

Administration and CBO costing methodologies for GROW are very different.

The Administration, using Manpower Development Research Corporation (MDRC) data as a base:

o Made reasonable assumptions about the hours per week, duration in months, and costs and case closing rates for each type of activity for participants (1) with and without a child under six and (2) in basic or UP cases;

o Estimated the numbers of participants eligible for work activity or school assignments in each year;

o Developed scenarios of participants by activity by year meeting the participation targets for 1988 through 1992; and

o Calculated the costs and savings by activity by type of recipient for each year.

The Administration's very detailed methodology allowed for feasibility, reasonableness and consistency checks at each stage in the process.

The Administration's calculation of costs is dynamic in two ways. First, both the reduction in total caseload and the increase in the number of recipients with significant earnings due to GROW reduce the number of recipients whom States are required to place in work activities. This "feedback" is built-in to the costs. Second, when a case is closed or a recipient obtains a job which reduces the family's benefits, the savings from that event will carry over beyond the first year. A carryover pattern based on program data on case durations was incorporated in our savings estimates.

CBO made a very simple calculation. Basically, they took a straight average of the gross costs and AFDC payment reductions calculated by MDRC across the four completed demonstrations (sites in Arkansas, California, Maryland, and Virginia), modified the averages to reflect an assumption that all activities would be one year long, applied the modified average costs and savings to eligible caseload estimates derived from the Administration's estimates of participants eligible for work activity and school, added to costs an estimate for child care for recipients with a child under six, and subtracted from savings an offset for AFDC benefit savings forgone due to the proposed repeal of WIN. CBO did not build in "feedback," but they did include a savings carryover.

CBO's approach does not allow explicit comparisons of their assumptions on program operations with the Administration's. However, we have analyzed their estimate and identified the major reasons for differences from ours. Because of the interactive nature of the assumptions, the individual effects calculated for these differences are not additive. The discussion below runs through costs and then savings in 1992, the first year of the fully phased-in program. As a preface, it is helpful to understand two points:

o The MDRC-evaluated work activities whose costs CBO averaged together averaged three or four months in duration (individual activities ranged from two to twelve months). CBO assumes that States would stretch the same total expenditures over a year's time, providing less intense activities and keeping participants in them for a year. This assumption is key because it means that for each year of activity, only one AFDC recipient is given the opportunity to achieve an increase in self-sufficiency. (CBO's assumption implicitly involves an unreal scenario. For example, it is unlikely any State would put recipients into a year long job search program. However, CBO had a real world concern: simply multiplying MDRC's average costs by three to four to get average costs for a full year would have generated unrealistically high costs. Given this fact, one might then wonder why the Administration's GROW costs are not much higher. That is because we took into account GROW's financing structure. In the MDRC-evaluated demos, the State share of expenditures ranged from eight percent to 33 percent, averaging 30 percent. Under GROW, States will be responsible for 50 percent of expenditures. The cost-sharing features of GROW should encourage States to structure cost-effective and prudently managed programs.)

o CBO reduces savings by "AFDC savings lost because of the proposed repeal of the Work Incentive (WIN) program." However, this reduction is inappropriate because the Congress in its action on the 1987 Budget assumed WIN would end in 1987.

Gross Costs

CBO assumes higher baseline caseload and higher inflation than the Administration. Together these factors account for $160 million of the $241 million difference in gross AFDC costs for GROW in 1992. However, there are much larger differences in costs underlying the apparent closeness of the two aggregates.

o CBO is assuming lower unit cost and less intense activity in GROW than the Administration. The effect on costs cannot be quantified.

o CBO's proportion of gross GROW costs attributed to child care in later years (1991 and 1992) is virtually the same as the Administration's -- 43 to 44 percent -- but the assumptions underlying the cost estimates for child care differ substantially. CBO includes very little funding for child care for children over six, based on the MDRC experience. The Administration includes about four times as much: $100 million compared to $25 million in 1992. However, CBO assumes that costs for children under six will be almost three times as high as does the Administration, and that States will require 40 percent fewer women with children under six to participate in work or school activities.

-- The CBO cost is the average of actual Massachusetts costs for ET and projected California costs for GAIN, adjusted down by 35 percent. However, GAO found in 1985 that the child care share of Massachusetts work program costs was five times that of the median State and three times that of the next highest State. The California figure is one being used for budget planning, not actual expenditures. The programs in both States tilt to the most expensive form of paid care, formal day care. However, formal day care is not the dominant form of paid child care. The Census Bureau reports that of working women with children under five using paid child care,* 65 percent use care in their own or someone else's home, and only 35 percent use a day care center or nursery school. In fact, of all working women with children under five, less that 15 percent use formal group care, and if the mother is working part-time, this percent drops by half.

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*Working full- and part-time.

-- The Administration costs are based on actual expenditures by lower-income working mothers of children under six taken from the Consumer Expenditure Survey -- the survey used for CPI weights. The Administration costs also reflect the preference of all mothers, regardless of income levels, for family care for their children. Younger mothers are more likely than older ones to avail themselves of family caregivers. For example, Project Redirection, a controlled study to test the effect of "one-stop services shopping" for low-income, pregnant and parenting teens, found that nearly 60 percent of both the experimental and comparison groups relied on relatives or unpaid friends for child care, the majority of which was care by the maternal grandmother.

-- CBO's mechanical calculation does not take into account the flexibility which GROW gives States to suit activities to individuals' situations. CBO assumes States will respond to child care costs by discriminating against mothers with very young children, contrary to the intent of the program to prevent long-term dependency. However, work activity assignments under GROW do not have to involve a uniform time of day or number of hours per week, so long as the total of State activities meets the required average level of 20 hours per week. Some mothers with very young children may be assigned to activities which take them from the home fewer hours per week or in the evening (e.g., adult education classes), when relatives are more likely to be available for child care. Moreover, some States may choose to have recipients work in day care programs as part of their work-related activity, providing care to their own or others' children.

o CBO overstates gross costs in four other ways, and understates them in one.

-- CBO does not include applicant job search in its cost estimates. Applicant job search has a very low unit cost, and is "credited" disproportionately in GROW's performance target calculation to give States a strong incentive to quickly adopt this cost-effective measure. Taking account of the "extra credit" for applicant job search would lower CBO gross AFDC costs by $35 million in 1992.

-- CBO includes stipend costs paid in Baltimore in the calculation of average costs. Stipends will not be federally reimbursed in GROW. Removing the stipend costs which were extrapolated to the national level by CBO would lower their gross costs by $70 million in 1992.

-- CBO does not allow for the "feedback" of reduced caseloads and increased AFDC recipient employment in meeting and reducing GROW participation targets. Including feedback would reduce CBO gross costs by $175 million in 1992.

-- CBO applies an average cost which includes job search and work experience costs (but not education and training costs, which will not be reimbursed under GROW) to all participants. In doing so, CBO includes job search and work experience costs for recipients assigned to education or training. Excluding these costs would lower CBO gross costs by $100 million in 1992.

-- CBO incorrectly reduces GROW participant counts by an estimate of persons who would otherwise be participating in current work activity programs, including WIN. Removing this adjustment would raise CBO gross costs in 1992 by $160 million.

Gross Savings

CBO's gross AFDC savings in 1992 are only $418 million, 29 percent of the $1,450 million estimated by the Administration. Three major factors, and several minor ones account for this difference.

o CBO assumes that States will provide work activities of a full year's duration, compared to the Administration's assumption of an average of four months duration. In making this assumption, CBO also assumes that 67 percent fewer beneficiaries will participate in work-related activities than the Administration assumes, and that 67 percent fewer cases have the opportunity for GROW to assist them to find employment. If the CBO savings estimates were adjusted for this one difference only, the CBO savings would increase by over $1 billion.

o Although CBO assumes much longer program durations than occurred in the MDRC demos, CBO adjusts the MDRC-observed rates of savings downward -- by 10 percent in initial years, rising to 20 percent for 1992. The Administration assumes the same durations as occurred and rates of savings about two-thirds of those observed by MDRC. The savings rate assumption depends on, and interacts with, the duration assumption. Changing CBO's duration and savings rate assumptions to those used by the Administration would increase gross AFDC savings by 185 percent, or $765 million, in 1992.

o CBO does not include applicant job search, although GROW is designed to strongly encourage this activity. AFDC is a dynamic program. Some two million new AFDC cases are opened each year, and about three million applications are received (in FY 1984, there were 3.1 million applications and 2.0 million approvals). Including applicant job search would reduce costs, as noted above. It would also increase gross AFDC savings in 1992 by $250 million.

o CBO overstates gross savings in three other ways and understates them in two.

-- The CBO assumed carryover of savings from prior years appears to be higher than the carryover which the Administration assumes. Actual carryover amounts in any one year depend on the savings in prior years, making a dollar magnitude hard to estimate. Using Administration carryover assumptions, at a very rough estimate, would lower the CBO savings in 1992 by $100 million to $300 million.

-- CBO's higher baseline caseload and inflation account for a $25 million overstatement of savings in 1992.

-- Including the "feedback" effects of reduced caseload and increased employment to lower GROW participation targets would reduce savings by $45 million in 1992.

-- Removing the incorrect adjustment for participants in current work-activity programs would increase gross AFDC savings by $45 million in 1992.

-- Removing the inappropriate "WIN offset" would increase AFDC savings by an additional $92 million in 1992.

Other Programs

The Administration and CBO differ in their treatment of Medicaid and Food Stamps. Costs or savings can result in both programs from changes in AFDC benefits or recipients:

o The Administration's Budget includes savings in Medicaid attributable to GROW, which increase to $291 million by 1992. The budget proposes a cap on the increase in Medicaid expenditures, but it assumes that States will reduce costs to stay within the cap rather than assuming that the cap shifts costs from the Federal Government to the States. CBO excludes GROW's Medicaid savings because of the cap. CBO assumes the cap will shift costs from the Federal Government to the States because the States will not take sufficient cost-reduction measures in response to the Medicaid cap to bring their total Medicaid outlays down to the cap. As a logical consequence, CBO assumes also that any Medicaid savings due to GROW would be in the "above the cap" portion of the program which is not federally matched, so that no Federal Medicaid savings result.

o CBO estimates a net Federal savings due to reduced Food Stamps benefits for GROW participants with increased earnings, which the Administration does not. The Administration believes that savings may be possible, but are probably small in amount.

TABLE 1 - ADMINISTRATION COSTS FOR GROW
(outlays in millions)

	1988	1989	1990	1991	1992
AFDC					
Costs	$110	$229	$457	$694	$933
Savings	-102	-258	-567	-978	-1,450
Net AFDC	8	-29	-111	-285	-517
Medicaid	-10	-37	-97	-185	-291
Food Stamps			negligible		

TABLE 2 - CBO COSTS FOR GROW
(outlays in millions)

	1988	1989	1990	1991	1992
AFDC					
Costs	$82	$273	$510	$852	$1,174
Savings	-11	-69	-185	-329	-510
WIN Offset	18	40	60	77	92
Net AFDC	89	244	385	600	756
Medicaid	0	0	0	0	0
Food Stamps (net of WIN offset)	3	-12	-47	-93	-153

Ms. **Kennelly**. Mr. Miller, I would like to tell you that we know that we can't do everything which is in the chairman's bill. We just don't have the money. However, I have to tell you we are going to have to spend some money to come out with a bill that is better than the system we've got now. It is broken, and I want very much to work with you in these areas. But there are differences, and we are going to have to wrestle with them.

I worked with this committee on the child support enforcement amendment. We pulled out something which wasn't perfect, but we did it. But we were realistic, and we had the same differences in the beginning—that you didn't have to spend any money.

Let me just ask you one last question. Do you really think, if you have this 50-50 match with the States—I know you have talked with the Governors as I have talked with the Governors—that they couldn't do those demonstration programs without the WIN demo money? You just need the Federal funds to have good State programs. To prove it you need resources. How many Governors do you think would support welfare reform if we came forth with a bill with a 50-50 match? We have 49 Governors who support it now.

Mr. **James Miller**. Well, the WIN program is, I think, a good example. I mean, it just was a failure and arguably because it provided such little matching on the part of the States. They didn't run it very well.

Ms. **Kennelly**. I told you—and Governor Dukakis would disagree—there is wonderful evidence that you need resources to make things work, that you can't just say to somebody, "You're illiterate and you're 15, but I want you to work." You have to do some things in between that cost money. Now, you can't have it revenue-neutral. Is there any area you could suggest that we go forth with?

Mr. **James Miller**. Obviously we would be more than happy to explore some alternatives with you. I think Ms. Steelman has a point that she wanted to make.

Go ahead, Debbie.

Ms. **Steelman**. The 50-50 open-ended match does provide a great deal of flexibility for the State. There are participation standards that the State would have under the GROW proposals which allows tremendous flexibility at the State level to design it. The 20-hour work average at the State level allows for a State to say to this woman, "You've got a child of 8 months. Perhaps 10 hours is sufficient, 12 hours sufficient. Let's work it around the day care need." It allows tremendous flexibility in the design of that program.

Ms. **Kennelly**. I guess what I am trying to say, being revenue-neutral and having flexibility doesn't always work because you must have some dollars to support those State programs.

Ms. **Steelman**. I would also like to say that both California and Massachusetts have both voluntarily exceeded the WIN demo match rate because the State itself recognized that increased resources were necessary.

Ms. **Kennelly**. And the States are doing magnificently well.

Ms. **Steelman**. But that is it precisely. It is in a State's interest to have productive citizens, to have as few people on the welfare rolls as they can. That is the point of the demonstration authority is to try to see what else can be done at the State level, what else the State wants to design. A 50-50 open-ended match is a significant amount of resources, on top of which we also have proposed to increase adult education money for literacy and GED training. That is an increase in this year's budget. We have $1.8 billion in the JTPA block grant, which has a target rate for AFDC recipients.

I think it is important to look at the bulk of resources out there.

Ms. **Kennelly**. Well, I look forward to working with the administration on this bill. But I have to tell you, 50-50 match, I don't know if we can get to a compromise on that. And I do think that between revenue-neutral and spending some money, we have to find a number. That is only my opinion, sir.

Thank you very much for your testimony.

Mr. **James Miller**. Thank you.

Chairman **Ford**. Mr. Levin?

Mr. **Levin**. Thank you, Mr. Chairman.

Mr. Miller, in response to Mrs. Kennelly's questions, you say—let's see, the pages aren't numbered, but I think it's 1, 2, 3——

Mr. **James Miller**. I have a cardinal rule at OMB: all pages are numbered. [Laughter.]

Mr. **Levin**. It's page 4. I didn't mean to get anyone in trouble. [Laughter.]

I didn't know what page to refer to.

Mr. **James Miller**. All right.

Mr. **Levin**. You say that, "Good State programs have not needed additional flows of Federal dollars to accomplish this goal," and that is involving more people in employment and training programs. Name me a good State employment training program that did not have WIN demo money in it?

Ms. **Steelman**. California and Massachusetts are the examples we are referring to there. They both have WIN demonstration programs.

Mr. **Levin**. There is Federal money.

Ms. **Steelman**. But they both exceed.

Mr. **Levin**. But they both have Federal money in it.

Ms. **Steelman**. Right. We're just talking additional Federal money. We are not proposing to reduce Federal money.

Mr. **Levin**. Well, you are proposing to eliminate WIN.

Ms. **Steelman**. Yes. We are proposing a 50-50 match to leverage more money with the States.

Mr. **Levin**. But not for employment and training.

Ms. **Steelman**. That's correct.

Mr. **Levin**. All right. Now, look, we've been around this circle a few times, and the chairman has been very, very patient on this point. I think everybody wants to work with you to try to produce something. But there is not a cent in here for training and retraining.

In fact, the WIN demo is eliminated. You laud the goal of employment and training, but there are no resources. You say the States have done such a good job, but they have used WIN demo moneys.

Also every Governor but one who came before this subcommittee, looked the chairman in the eye and said, "Essentially, we support what you are trying to do on the welfare/work component of the bill." I don't see how it adds up.

Mr. **James Miller**. Well, we got in the budget something like $800 million for JTPA. There are other programs. The Governors also support the President's program for demonstration projects.

Mr. **Levin**. I know.

Mr. **James Miller**. That gives them a great deal more flexibility.

Mr. **Levin**. Sure they do, but they say that we need Federal resources along with State resources on this critical training/retraining linkage.

Mr. **James Miller**. $800 million.

Mr. **Levin**. But that is already within the JTPA program.

Mr. **James Miller**. No, that's new money.

Mr. **Levin**. OK, now, wait, that is for dislocated workers. The new money is $980 million for dislocated workers. This doesn't relate to dislocated workers; right?

Mr. **James Miller**. Right.

Mr. **Levin**. OK. That's clear. It's $980 million. Then you have some money for AFDC youth.

Mr. **James Miller**. Yes. $800 million.

Mr. **Levin**. Most of that is money that has been in the budget for summer employment; correct?

Mr. **James Miller**. That's right.

Mr. **Levin**. There is only $50 million of new money, more or less, in the budget.

Mr. **James Miller**. That is right for the youth initiative.

Mr. **Levin**. OK. Now we have this large number of AFDC recipients, a lot of whom aren't youth and will not fall within your retooled AFDC youth program; right?

Mr. **James Miller**. Yes.

Mr. **Levin**. OK. Now, for those people, you not only talk about the necessity of work, of training and retraining, but you have requirements, as indicated in your testimony, that start at 20 percent and go up to—it's not in your testimony but it's in the GROW bill—participation rates 20 percent, 1988; 30 percent, 1989; 40 percent, 1990; 50 percent, 1991; and 60 percent in 1992. Yet, again there is not a single dollar for training and retraining to match State efforts.

Now, how do you justify that?

Mr. **James Miller**. Debbie, do you want to answer that?

Ms. **Steelman**. The message is clear from the committee in terms of money. Perhaps we could entertain a willingness to talk about this issue as long as other money continues to be a part of the system. I recognize the jurisdictional differences. Perhaps a program in this committee could be structured to be one of last resort; in other words, use the adult ed money, use the JTPA money, use the other resources out there first, and perhaps as long as the structure were what we would consider to be a cost-effective structure without such overwhelming matching rates that have generally proved not effective. That was true in title XX, that's true in the original WIN authority.

Mr. **Levin**. Well, maybe we do have to work on it. If you hear the Governors, what they talk about is the effectiveness of job training and retraining. And, you know, what you do is essentially dismiss it by calling it intensive. You do, because you attack performance standards and you say that they argue against performance standards which lead to the need for or reward intensive interventions, but what the Governors have said who come here is that we need job search, we need resume preparation, et cetera, but we also need education, training, and retraining.

Dr. Miller, what percentage of the welfare recipients, not children, have a high school diploma? Do you know?

Mr. **James Miller**. Well, not a lot. But we can get that information. I don't have it off the top of my head.

Mr. **Levin**. 50 percent do not.

Mr. **James Miller**. 50?

Mr. **Levin**. You mentioned that we need to get these people back into the workstream.

Mr. **James Miller**. That's one reason to put them back in school.

Mr. **Levin**. Large numbers have never been in the workstream.

Mr. **James Miller**. That's right. That's the tragedy of our system.

Mr. **Levin**. So that means there needs to be some education, some training and retraining, and I don't say overmatch, but you have to provide some resources. The Governors you put on a pedestal in a sense and say they have been successful, and then you reject what they suggest.

Forty-nine out of fifty came before this subcommittee through their representatives, Republicans and Democrats, and looked the members and nonmembers of this subcommittee in the eye and said, to a person but one, "We want the Federal Government to stay in this job training, retraining, education effort on a matching basis and that WIN demos sparked many of our experiments."

Mr. **James Miller**. But the payoff to the American taxpayer has not been very good. I think the Congress was clear in its actions on appropriations last year—the continuing resolution—of an expectation of replacement of the WIN program.

Mr. **Levin**. It's interesting that you say that the payoff isn't very good, but then the main reason you differ from CBO on the estimates of cost is because of your indication about cost savings.

Mr. **James Miller**. Under GROW.

Ms. **Kennelly**. Would the gentleman yield?

Mr. **Levin**. Yes, I will yield in a moment.

Under GROW. And what you are saying is the less intensive the intervention, the more the cost savings. I just think that's an easy answer that runs contrary to the experience of these very States that you laud.

Mr. **James Miller**. Could I just say, from what I know, in fact it runs consistent with the evidence we have had so far, but I would be glad to get back to you with some of that information.

Mr. **Levin**. OK.

[The following was subsequently received:]

The majority of AFDC recipients leave the rolls in a relatively short time. Trying to measure the effects of work activities by simply looking at the number of participants who leave the AFDC rolls or have their benefits reduced as a result of increased earnings, thus, can be misleading: positive results attributed to the work program may simply be results that would have occurred even without the program.

To accurately assess the effects of work activities requires a controlled experiment in which recipients are randomly assigned to the work program being evaluated. (These assignees are called the experimental group.) Welfare savings and other results for the experimental group then can be compared to those for the "control" group, the group of recipients who are not assigned to the program. The difference between the results for the two groups is the measure of the program's effects.

The Manpower Development Research Corporation (MDRC) has completed evaluations of four controlled experiments. As indicated in my testimony, the Baltimore work program placed a greater emphasis on (non-high school) education and training than any of the other programs. Its costs per person in the experimental group for these activities far outstripped the costs in the other three programs, and no statistically significant difference in the experimental group's economic position relative to that of the control group was found. The Baltimore program was the only one in which the benefits to the government did not exceed its costs, as shown in the table below.

	Benefit-Cost Ratios		
	Federal	State	Governmental
Work Program			
San Diego	2.44	2.63	2.49
Arkansas	4.00	24.83	5.58
Virginia	N.A.	N.A.	1.58
Baltimore	0.84	0.47	0.72

Source: "The Demonstration of State Work/Welfare Initiatives," Final MDRC Reports of September 1985, December 1985, February 1986, and August 1986.

So there is no misunderstanding, I want to underline the fact that in my testimony I stated that these findings argue against the establishment of performance standards or other design features which reward or lead to the need for intensive intervention. Putting in place such features, given these findings, would not be responsible. As I indicated, the Federal Government should remain neutral on the intensity issue until we have gained more experience.

Mr. **Levin**. I would yield to the gentlelady.

Ms. **Kennelly**. Mr. Miller, the reason we are all here and trying to agree, is that the taxpayers feel the program—AFDC, welfare—doesn't work anymore. Let me turn it around and look at it from another direction. You have looked at our bill. If you could go before the taxpayers, the public, and just give them GROW, would they feel we have done welfare reform?

Mr. **James Miller**. I think they would count it as a very positive step.

Ms. **Kennelly**. Thank you, sir.

Mr. **Levin**. I would just finish. Mr. Chairman, I think it would be useful for Dr. Miller and others to give us the material, as Mrs. Kennelly has suggested, on support services.

Mr. Miller, Congressman Miller was here earlier today—Mr. Chairman, his testimony was on support services, on day care for ET—that nearly half of the budget of ET, $35 million out of $57 million is for day care. That experience runs counter to your suggestion that GROW, which is essentially support services, will be about even in year one because, I guess, of the elimination of WIN and because of cost savings, and then in the second year is going to begin to have reductions, $29 million, and they go up to $517 million.

I think part of this is based on the assumption that there isn't going to be much demand for day care, that people on welfare prefer to have relatives and others take care of their children. There is some of that. But do supply——

Mr. **James Miller**. We have the evidence on that.

Mr. **Levin**. All right. We will be anxious, the whole committee and this subcommittee, I am sure, to see that.

Mr. **James Miller**. All right.

[The following was subsequently received:]

Provided below are two papers containing information on child care use and preferences and child care expenditures.

In addition to the material contained in these papers, I would note that a recent analysis by the Administration indicates that about one-third (31.3 percent) of AFDC households with a child under age six have a nonworking adult in the household who is not the child's caretaker. This percentage is slightly higher for households with a child under age three (32.7 percent).

CHILD CARE USE AND PREFERENCES

Single parent working families, as well as married couple families, rely on informal child care -- care by family, friends and neighbors -- rather than on more formal group arrangements. Evidence of this fact comes both from surveys of the general population and sources which deal more directly with the population potentially eligible for, or receiving, AFDC.

Preschool Children

o Census surveys of the general population indicate that a relatively small percentage of child care provided to preschool children of single or married mothers who work is provided through formal group arrangements, as shown in the table below. This is true whether the mothers work full- or part-time. As the table indicates, women without husbands tend to substitute care by other relatives for care married couples provide to their own children.

Child Care Arrangements of Employed Mothers for Their Youngest Child Under Five Years

	Total	Mother and Father of Child	Other Relative	Nonrelative in Child's or Another's Home	Group Care
Mothers Employed Full-Time					
Married, Husband Present	100%	20%	28%	30%	17%
All Other Marital Status	100	5	37	27	24
Mothers Employed Part-Time					
Married, Husband Present	100	39	25	24	7
All Other Marital Status	100	7	48	30	10

Source: CPS, June 1982

o Recent data on younger mothers (ages 20 to 28) show that the patterns that hold for the general population hold for this group alone.

Employed Young Mothers: Child Care Arrangements for Their Youngest Child Under Six Years

	Total	Mother and Father of Child	Other Relative	Nonrelative in Child's or Another's Home	Group Care
All Employed Mothers	100%	27%	30%	25%	17%
Work Status					
Full-Time	100	20	30	27	22
Part-Time	100	30	36	21	9
Marital Status					
Married, Husband Present	100	34	25	25	15
All Other Marital Status	100	7	42	24	24
Family Income					
Under $20,000	100	24	32	22	18
Over $20,000	100	29	26	27	16

Source: National Longitudinal Survey, Youth in 1985

o In Project Redirection, a 1981-83 program to test the effect of "one-stop services shopping," for low-income, pregnant, and parenting teens, the Manpower Development Research Corporation (MDRC) found that nearly 60 percent of both the experimental and comparison groups relied upon relatives or unpaid friends for all child care. An additional one-fifth used a combination of sources (including families, friends, and/or unpaid sitters or day care centers), while 20 percent used paid sitters or day care centers only.

School-age Children

o Census surveys of the general population indicate that the single most important source of child care for school-age children of single or married mothers who work is the school itself, as shown in the table below. For most of the remaining children, care is provided by parents or family. Only a very small percentage of child care for school age children is provided by nonrelatives in their own or the child's home or by formal group arrangements. Mothers who work part-time are even less likely to rely on child care arrangements with nonrelatives or on formal care.

Child Care Arrangements of Employed Mothers for Children Ages Five Through Fourteen

	Total	Kindergarten or Elementary School	Parent or Other Relative	Nonrelative or Group Care
Work Status				
Full-Time	100	75	13	8
Part-Time	100	76	18	4
Marital Status				
Married, Husband Present	100	75	15	7
All Other Marital Status	100	74	15	8

Source: Preliminary data from Survey of Income and Program Participation, 1985

o Census surveys also show that during nonschool hours the majority of child care for school age children of working mothers is provided by the child's own parent(s), as shown in the table below. Relatives are the next most important source of after school care.

After-School Caretakers of Children of Employed Mothers, Ages Five Through Thirteen

	Total	Parent	Other Relative	Nonrelative or Group Care	Self-Care
Work Status					
Full-Time	100	54	17	15	14
Part-Time	100	78	8	7	7
Marital Status					
Married, Husband Present	100	67	12	11	10
All Other Marital Status	100	52	20	15	13

Source: CPS December 1984

EXPENDITURES ON CHILD CARE

Evidence indicates that working families, including single parent families, do not pay at all for a substantial portion of the care provided their children while the parents work, and that when payments are made, they are modest in amount. These findings are only logical, given the heavy reliance of all types of households on family care and the low rates of use of expensive group care. The evidence on these patterns comes from general population surveys and studies of families on AFDC.

o Surveys of the general population indicate that much of the child care provided to preschool children of single and married mothers who work is provided without cash payment. The majority of care for young children whose mothers work part time is unpaid care. This pattern holds for single and married women, and for young women as well as mothers of all ages, as shown in the table below.

Percents of Employed Mothers With Unpaid Child Care for Their Preschool Child

	Employed Mothers of Children Under 5	Young Employed Mothers of Children Under 6
All Employed Mothers	48%	48%
Marital Status		
Married, Husband Present	--	49%
All Other Marital Status	--	46%
Work Status		
Full-Time	38%	33%
Part-Time	61%	59%

Source: All employed mothers, CPS June 1982. Young employed mothers, National Longitudinal Survey, 1985

o The data on child care expenditures suggests that actual payments by those who do pay are modest.

-- For young single working mothers with incomes under $20,000 and children five years or younger, the average weekly expenditure on child care of those who paid for care was less than $27 per week (1985). This $27 per week often covered more than one child. (Source: National Longitudinal Survey, 1985)

-- Low expenditures for child care are also found in the Consumer Expenditure Survey. In 1980-81, working mothers with a child under six and family income under $20,000 who paid for child care paid an average of $709 per year.

o In the five-year Supported Work Demonstrations, which dealt with AFDC mothers who had children age six and up, the majority of participants did not use child care services. Payments made for child care were low for mothers who did pay -- averaging $20 to $50 per month worked in 1977-78 -- highlighting the fact that few (one to four percent) of the participants used expensive day care centers, most relying instead on care provided at no or modest cost by family and friends.

o MDRC evaluated recent AFDC work activity demonstrations and notes that the programs in the several States studied, "often did not spend all available day care monies," and that child care "did not appear to be a problem in the demonstration States." (One of these demonstrations required mothers with children aged three to five to participate.)

o AFDC quality control data indicate that when AFDC parents work, few of them pay for child care. The amounts paid seem to differ depending upon whether the parent is working full time or part time, not upon the age of the youngest child. As shown in the table below, AFDC families using the child care disregard on average disregarded less for all their children than the maximum disregard allowed for one child ($160 per month).

AFDC Cases With Earnings and Child Care Disregards

Work Status and Age of Child	Cases With Earnings	Cases Taking Disregard	Percent Taking Disregard	Average Monthly Disregard Amount
All Earners	167,165	36,401	22%	$94.57
Part-Time	134,421	27,238	20	84.07
Full-Time	32,744	9,163	28	125.36
Child Under 6				
All Earners	81,197	24,016	30	93.84
Part-Time	67,890	18,767	28	85.51
Full-Time	13,307	5,249	39	123.61
Child 6 or Over				
All Earners	85,968	12,385	14	95.98
Part-Time	66,531	8,471	13	81.32
Full-Time	19,437	3,914	20	127.70

Source: Program Characteristics Data for 1984

o Costs for child care in Massachusetts' ET program are often cited as evidence that child care in AFDC work programs is expensive. However, in a 1985 study of 30 States, GAO found that the child care share of ET's costs was five times that of the median State and three times that of the next highest State.

Mr. **Levin**. Thank you, Mr. Chairman.

Chairman **Ford**. Dr. Miller, we really appreciate your coming down to the subcommittee. I have one regret, and that is that you didn't have an opportunity to see the final version of the bill. It was telling in your testimony that you have not had that opportunity.

Mr. **James Miller**. Well, if there is any correction we need to make, I will make it expeditiously and deliver it to you.

Chairman **Ford**. Right. Another thing, when we look at the costs, I will say on behalf of this committee because of Mr. Frenzel's questions to you that we are going to have to use CBO's estimates. And we certainly appreciate the fact that OMB would like to study what are the costs of GROW and the NETWork program and the total package of welfare reform.

But when we go to the final markup in the full committee, the numbers that will be used by this committee and the full committee will be CBO's. CBO has indicated that GROW over a 5-year period costs $1.6 billion, and the NETWork program is $1.9 billion. And if we talk about the WIN program, WIN, what is it, $110 million, I don't think we have to throw out the WIN program, and I know that we are going to be charged with the responsibility to replace WIN in general.

Mr. **James Miller**. You have to realize that the President will have to use the OMB figures rather than the CBO figures.

Chairman **Ford**. Well, I mean, the President might have to use those, but as we move the bill through the Congress, we will use CBO's estimates. And hopefully, we can come to some terms, and we would like to have a bipartisan bill be reported from this committee. We are certainly a little disappointed in your testimony on the welfare question itself.

Mr. **James Miller**. Well I think some comments here suggested that there are lots of things in your bill that probably will not be passed into law.

I think we ought to sit and talk. We have some coincidence of interest, and obviously an interest in reforming the system. And I think we have in terms of our relevant approaches some similarities and some common ground, and I think we ought to sit and talk. I have the utmost confidence in Ms. Steelman, and in her discussing with members of your staff the changes that maybe we will all have to talk further on. I think we ought to move forward on this because there is a lot at stake. If we can improve things, just think of the payoff. So I want to work with you to do that.

Chairman **Ford**. We really appreciate that.

Again, thank you, and Ms. Steelman, both for coming down to the committee. Thank you very much.

The committee would like to call Ms. Blum, president of the Foundation of Child Development; Ms. Edelman, president of the Children's Defense Fund; Mr. Quinlan, executive vice president of the National Alliance of Business.

Ms. Blum, Ms. Edelman, and Mr. Quinlan, we once again are very delighted to have you before the committee. Thank you very much for appearing before the committee. We are awfully sorry for the delay and having you wait so long to testify before the committee.

We certainly appreciate the fact that the three of you have spent so much time in working with the members of this committee.

You have worked very closely with us, and as chairperson of this committee, I want personally to thank you, Ms. Blum, and you, Ms. Edelman, for working so closely with the Chair of this committee as we move toward the twilight, hours of the witnesses to testify before the committee and right on the eve before we go into the markup session on the welfare reform package of this committee. Let me personally thank you on behalf of the committee, but a personal thanks to the two of you for working so closely with me, and I certainly would hope that we will continue that working relationship in the weeks ahead as we mark up this legislation in the Congress.

At this time the Chair will recognize Ms. Blum.

STATEMENT OF BARBARA B. BLUM, PRESIDENT, FOUNDATION FOR CHILD DEVELOPMENT

Ms. Blum. Thank you for those remarks, Mr. Chairman. It has been a pleasure to work with you.

I would like today to submit for the record my testimony, in the interest of time.

Chairman Ford. For the purpose of all witnesses, the full text of their testimony will be made a part of the record, and you may summarize your testimony.

Ms. Blum. I will simply summarize the contents of that testimony. As I indicate in my written testimony, the bill before us for consideration presents a blueprint. Like any blueprint, there are improvements which can be made. This blueprint reflects a very exciting period, in which we have seen consensus build, a consensus that I hope will result in the bipartisan legislation that the chairman has suggested is his goal and the goal of the subcommittee here.

First of all, the proposed Family Support Program highlights the critical importance of contributions expected from parents. The child support provisions are enormously important in sending signals that are very clear. The tracking of payments and allowances, the establishment of paternity, the provisions for understanding what visitation issues may arise, all are very important provisions.

The second area where strong consensus has built over a period of time now has to do with work, and the NETWork program, as described in this legislation, offers us a very special opportunity. It provides flexibility to States in terms of mandating participation or allowing participation to be voluntary. It does include 75 percent reimbursement.

I would like to emphasize how important that reimbursement is. The Governors know it is important. Most of us who have been in the field know that it is really critical to have reimbursement at least at the 75 percent level.

For the record, I would like to point out that research has clearly indicated that 75 percent of the benefits from work programs create Federal savings, that it is the Federal Government that benefits most when work programs succeed. The MDRC research, fortunately, is very specific on that particular point.

Secondly, I think it is always important to give incentives to States, to give out signals about what objectives we want to achieve. If there is a somewhat more generous reimbursement rate, it says to States, "we expect you to create these work programs and to operate them in a serious way."

Finally, I want to point out that while Massachusetts and California are currently able to contribute very large sums of money to supplement the WIN funding, it is quite clear that poor States would be unable to provide that kind of supplemental funding. We do have to think about Mississippi and Arkansas and West Virginia when we are creating this legislation.

The third area where I believe consensus is building has to do with benefits. There is a recognition that the level of child poverty is an absolute travesty. This legislation links benefits to a percent of median income. That is a very interesting approach to take. It allows for variation among States, taking into account the fact that cost of living does vary from State to State.

The time frame for implementing that percent of median income as a minimum standard is lengthy. It's 5 years. It certainly would be heartening to think that we could increase benefits in a shorter time period than that.

Finally, on the benefit subject, I would ask that there be serious consideration of building into this legislation a provision for examining the concept of the family living standard. I know in the legislation that has been drafted by Congresswoman Kennelly, the family living standard is included. That is a very exciting concept developed at APWA, and merits consideration for the future, although it would take time to implement.

It is a positive step, obviously, to include AFDC-U benefits in this legislation, once again giving strong signals that we mean what we say when we are talking about parents and their obligations to children, by providing support to both parents.

The benefit structure allows $100 to be disregarded in relation to work expenses, and then provides for a 25 percent disregard. Certainly, that is justified, given the very low levels of benefits. Those of us who have been around a long time know that this provision is going to be hard to understand in the outside world. This is the sort of thing that builds resentment among low-income workers, and we have to make the case in a very strong way for the changes proposed in disregards.

With regard to support services, the child care provisions are more generous than we have currently. However, I would suggest that the dollar amounts provided are not adequate and that we really do have to look at child care as the kind of investment that has been discussed by others this morning, particularly Congressman Miller.

The case management provisions are interesting. They will be complicated to implement, and they will be costly. For that reason, I suggest in my testimony that there be some provision for targeting and for an evolution of those services. We very often expect our giant bureaucracies to respond to rather complicated mandates overnight, and they just aren't able to do that. Case management really won't operate if there are large caseloads. So the cost factor has to be confronted in an intellectually honest way.

The legislation makes reference to the involvement of children in special programs, and that is certainly a forward step. The targeting toward young mothers, as described in the legislation, is something that perhaps will allow this subcommittee to negotiate with the administration. There does seem to be, finally, in the administration an understanding of the need to really pay attention to those young mothers.

The Medicaid provisions are very positive. I think that Congressman Waxman's point about the cliff that occurs at the end of the mandated period is important to understand. We really do have to be working to create other kinds of insurance systems for low-income workers, and I know that Congress has been actively involved in that issue.

In food stamps, there is the recommendation for an advisory committee. Like others who testified earlier, I think it would be fine to have an advisory committee. However, we know most of what has to happen, and I would suggest this is an instance when a section on demonstrations could be added; it could be modeled very much along the WIN demo lines so that States could experiment and show how we can simplify the currently difficult system.

I would just plead that we go a step further than an advisory group. A lot of good work has already occurred with human services administrators at AWPA, and in conjunction with a number of congressional staffers.

The section on calculating Federal reimbursement troubles me. I remember the old welfare reform days, and how the static develops out there at the State level. Every budget director begins to vibrate when he is not quite certain what language means and there are a lot of different interpretations that develop.

It seemed to me, as a former math major, inordinately difficult to understand. I am not sure I do understand it. Anything that can be done to simplify that language would help gain support for this bill so that people know what they're talking about.

We have talked a lot about what an adequate benefit should be and how very costly it is to think of a benefit that comes anywhere close to providing nourishment and shelter and clothing for our Nation's children. As Congressman Downey was suggesting earlier, we had better confront the fact that the current inadequate program is very wasteful, and in fact is creating major problems for the future.

Now, just before I close, I want to comment on several points that were made by Dr. Miller.

He pointed out that in 1981, when WIN was more fully funded, there was 7 percent participation and that more lately, when WIN was at a much lower level of funding, we had a 17 percent level of participation. I would submit to you that we would have had a 34 percent level of participation if WIN hadn't been so dangerously cut. It was the administrative change creating WIN demo that got States enthused, that got participation up, and we mustn't take that particular statement at face value under any circumstances.

Dr. Miller also cited Maryland and its WIN demonstration program, which has been evaluated by MDRC, as evidence that costly programs are not cost effective. As a former president of Manpower Demonstration Research Corp., I want to assure you that that report was very clear in stating that because education and training are lengthy, the findings for cost effectiveness will not be known for a good many years; the data is being tracked.

This was not some major kind of program where you can see people quickly move into the work force—and maybe quickly move back. Instead, it was a serious effort at providing education to people who don't have high school diplomas, solid training to people who want to enter the work force in a solid way. So the evidence is out on Maryland, and it should not be considered a failure or non-cost-effective.

I was interested also in the director's comments on title XX and the fact that somehow that had been a wasteful program. It is a miniscule program. In addition, it has been responsible for what small amount of quality child care has been developed in this Nation. I had a great deal of difficulty understanding why title XX was coming under attack today.

Ms. Kennelly. It costs money.

Ms. Blum. Yes. And it's flexible, which I would like to point out. It's a wonderful program. As a State administrator, I found it was one of the few that allowed any creativity to occur at the State level.

With regard to day care trends and the use of informal kinds of day care, I have just read a paper which I will be pleased to submit for the subcommittee's consideration.

Deborah Phillips, whom I think has testified before this subcommittee and who is currently at Yale, is pointing out that there is an increasing trend toward the use of group day care. That has to be taken into account as the administration's and this particular legislation are considered by the subcommittee members.

With regard to the director's comment that we really should move to allow States to demonstrate, I would say to you that we have demonstrated already. There is nothing new under the sun. There are several kinds of programs that we can use. They are job search, they are work experience, they are more intensive training and education programs. We have got more evidence than we have ever had in this country about the use of those programs, and I would suggest that we move ahead with legislation like that proposed rather than being caught in more demonstration which may not tell us more.

In closing, I would simply like to comment that unlike a number of the other speakers who have cited how much the lack of child care or the fear of loss of health benefits prevent people from entering the work force, my own observations are that we need first to confront the fact that many people in AFDC are not prepared to enter the work force. This legislation is a good first step toward addressing that. We neglect to understand the lack of access to jobs for the individuals about whom we are concerned. Of course, child care and health benefits are necessary, but we have got some more critical elements to deal with, and this legislation is very responsive.

In the absence of good income from salary and from child support, my major concern is that we be very serious about providing appropriate income support for the children. That does get to the question of resources, but when we look at the fact that when highways need to be constructed, when Social Security needs to be indexed, we find the resources, I would hope that this time around we manage to find some resources for the Nation's children.

Thank you.

[The prepared statement and an attachment of Ms. Blum follow:]

STATEMENT OF BARBARA B. BLUM, PRESIDENT, FOUNDATION FOR CHILD DEVELOPMENT

It is immensely satisfying to testify today before the Subcommittee on Public Assistance and Unemployment Compensation in support of the proposed Family Support Program. It was by no means foreordained that we would have such legislation to consider. Only a few short years ago, attempts to make significant changes in the welfare system were all but moribund, the victims of inertia, pessimism, and resignation.

The fact that the subcommittee is now prepared to give serious consideration to an overhaul of the AFDC program speaks to a growing public recognition that we cannot limp into the twenty-first century with a system that neither adequately supports recipients nor helps them to leave the rolls. More particularly, it speaks to the efforts of several key members of the subcommittee who have had the vision and persistence to bring this legislation into being. The public owes a debt of gratitude to Congressman Ford and the members of this subcommittee, who, along with the Speaker and Congressman Rostenkowski, have been so effective in synthesizing and translating many of the good suggestions of welfare reform experts into a substantive legislative proposal.

The plan now before us presents an excellent blueprint for welfare reform. In three major areas, the bill establishes a sound foundation for a new system: First, it moves in the direction of providing poor families with adequate income. Second, it seeks to help welfare mothers enter the workforce. Third, it recognizes that any solution of the welfare problem must take into account the needs and capacities of fathers as well as mothers. The very name of the new initiative, the Family Support Program, speaks to a recognition that a good welfare program must fortify and build the self-sufficiency of the entire family unit.

As is true of any blueprint, the proposed bill also raises the possibility of further improvements. This testimony seeks both to underscore some of the key strengths of the plan and to indicate areas in which the Congress may wish to refine and modify current stipulations.

Pivotal to the integrity and success of this bill are its proposals to improve methods for the collection of child support. (They are, in fact, so critical that perhaps the subcommittee ought to consider the possibility of positioning them more prominently in the bill.) The legislative language sends a strong message: that Congress is serious that the first line of defense against poverty for children consists of the rightful contributions that parents must make to their well-being. For example, by mandating that states develop automated tracking and monitoring systems, the bill significantly increases the weight of authority behind the principle of parental responsibility. Another important aspect of this section is the provision for a careful study of visitation rights. Such research should bring reliable information to bear on a topic that has too often been fraught with unsubstantiated conjecture.

In extending the AFDC-U program to all states, the framers of this proposal recognize that just as it is a breach of equity for government to allow fathers to ignore their support responsibilities, it is likewise unfair for society to withhold public assistance from those fathers in two-parent families who need as much help in providing for their children as do single heads of household. While the thrust of the bill's AFDC-U provisions are thus highly satisfactory, the subcommittee may wish to examine closely one aspect of the proposal: the waiver of the 100-hour rule for recipients, which is not extended to applicants. It may be prudent for the subcommittee to look into the question of whether applicants in two-parent families are likely to raise legal challenges to this differential treatment of two groups.

Like the child support stipulations, the proposed National Education and Training (NETWork) initiative makes a important statement about the responsibility of the American family to care for its young. By mandating participation in NETWork programs, the proposal clarifies the obligation of welfare-dependent parents to avail themselves of opportunities to become self-sufficient. At the same time, by empowering states to engage NETWork participants in a range of meaningful employment and training activities, the bill also acknowledges society's responsibility to put genuine opportunities within the reach of more of these parents.

While there is genuine potential for the new work program, its supporters should be aware that the level of funding advanced for this initiative is likely to be modest as compared with need. In such an environment targeting takes on special importance and indeed the bill demonstrates a keen awareness of the value of this approach. The proposed legislation specifies groups among the welfare population to be given priority in receiving program services and rewards states for holding to those priorities. This is encouraging for programmatic as well as budgetary reasons. Over the years, a growing body of research has demonstrated that unless program operators are encouraged to do otherwise, they will focus on those participants who are most likely to achieve self-sufficiency without much special help. The targeting provisions of this legislation guard against that danger.

However, given probable resource constraints, it is likely that as they put their work programs into practice, states will need to further narrow their focus, phasing in services to the various target groups, rather than offering them all equally intensive services at the outset. As already noted, limited funding dictates the wisdom of this course. An equally compelling reason for states to move gradually in implementing these programs is that practitioners are most successful when they refrain from launching large and sweeping programs without benefit of a more modest start-up period; which allows them to identify problems and refine and modify their procedures in terms of what they find.

In requiring states to offer NETWork participants a broad range of activities, the proposal underscores a need for some states to move beyond modest, low-cost interventions like job search and workfare as a way of serving all recipients. While research indicates that brief, low-cost activities may be sufficient to help many individuals enter the labor market, others need more intensive help. While the bill is correct in encouraging states to experiment with these approaches, the level of funding provided should determine the degree to which states have discretion about the final range and mix of activities offered in their programs. Again, resource constraints are but one of two sound reasons to give states this kind of flexibility. Also important is the energy and resolution with which states developed and operated their own work/welfare programs under the WIN Demonstration provisions of the 1981 budget legislation, suggesting that they are likely to create better initiatives when given sufficient latitude to tailor services to local needs and interests.

The AFDC recipient who seeks vital social services for her family must currently negotiate her way through a fragmented, impersonal, and confusing system. The new Family Support Program will improve matters by offering NETWork program participants comprehensive assessment and case management services. This reform is to be commended, with the recognition that if resources for delivering these services are limited, program operators may initially wish to concentrate them on groups most at risk -- for example, teen mothers, or individuals who have long-term histories of welfare dependency. Managers are not able to serve their clients well when caseloads become too large, and if faced with a choice between limited services to all clients and more intensive work with particular groups, the latter is preferable. Ultimately, it is certainly important that funding be increased so that an increasingly larger number of families can be assigned to case managers.

Like participation in well designed work and training programs, reimbursement for child care expenses is a key to helping welfare families improve their economic options. Embodied in the legislation's child care proposals is the theme that runs throughout virtually all of the major welfare reform studies: that it is pointless to encourage single mothers of young children to work or prepare for work unless they can make adequate provisions for the care of their children. The increase in funding provided in the bill will begin to help welfare mothers meet their desperate need for good services, but in my opinion, neither this level of support nor a ceiling of $175 per month per child nor $200 per infant do justice to the issue. It is past time to recognize that caring for the next generation is one of our most critical collective responsibilities, and that it is ultimately self-defeating to expect to discharge this trust without significant investment.

The proposal to establish minimum state benefit levels for dependent families is one of the most welcome aspects of the legislation. Furthermore, linking these minimums to state median incomes offers a practical way of accounting for the wide variety of economic and cost-of-living conditions that characterize the 50 states. Delaying the implementation of this provision for a full five years, however, ignores the urgency of need among welfare families in numerous states who must scrape by at income levels shockingly below the poverty line. The subcommittee should accelerate the timetable for the implementation of this provision.

I also hope that the legislation will be amended to provide for a study to examine the feasibility of an income plan for poor families recently proposed by the American Public Welfare Association. The Family Living Standard, which would establish a minimum benefit to determine the actual costs of food, shelter, and clothing within individual states, is a bold departure from the nation's traditional methods of calculating benefit levels. It holds forth the possibility of determining a fair standard of need not based on the poverty line, which is widely agreed to be a very crude measure of economic hardship, but on a more realistic assessment of what is required to raise a family in this country. While Congress is clearly not in a position to incorporate the Family Living Standard into the current legislation, it merits further study and debate by the nation's lawmakers.

The subcommittee should enthusiastically support the generous provisions of the bill extending Medicaid coverage to welfare recipients who go to work. This stipulation effectively relieves many parents of a harsh choice between earning income and ensuring that their children have adequate financial coverage for health care services.

The legislation seeks to strengthen work incentives within the welfare system by specifying new income disregards. In light of the fact that many single-parent families cannot support their children adequately on minimum wage jobs, this step is entirely correct. However, it is important for us to be clear about the economic consequences of the suggested changes. With the disregards pegged at the levels proposed, there will be states where parents working full-time at the minimum wage -- and perhaps at slightly higher income levels -- will be eligible for welfare. This means the changes must be carefully justified to the electorate; otherwise we risk creating a damaging sense of inequity among working families with incomes that are modest but too high to qualify them for welfare.

The provision of the bill requiring states to re-evaluate their AFDC need and payment standards, paying particular attention to the relationship between shelter allowances and local housing costs, makes a valuable contribution to efforts to protect poor families against the worst ravages of inflation. Although upsurges in housing costs in many communities clearly have led to homelessness, these costs were not a focus of attention in any of the reports issued by the major welfare reform groups that met over the course of the past year. By asking states to examine this issue, the legislation thus begins to fill a significant gap in the policy recommendations that have so far been presented to the public. However, if states which increase their standards are permitted to use vendor payments, language should be included to stipulate that the shelter that is so purchased meets adequate standards. Otherwise third parties may be enriched at the expense of the welfare of poor families.

The legislation very properly seeks to address what has been a serious inconsistency in current regulations for calculating state reimbursement for the Food Stamp and AFDC programs. Currently, whenever states seek to raise their AFDC benefit levels, they are penalized by a reduction in the federal Food Stamp contribution. This bill addresses that fiscal problem in a forthright and creative way, by increasing the federal reimbursement rate for benefit increases. I believe, however, that instead of the current proposal for an advisory group to address the broader conflicts, the legislation should permit demonstrations based on the work already done by the Consolidation Task Force of the American Public Welfare Association which conducted a thorough study of the issues. Such an approach should be structured to reflect the highly successful WIN Demonstration which permitted states to devise their own rules for consolidating administrative functions.

It is not surprising that the legislation sets forth a complicated methodology for calculating federal and state shares for funding the Family Support Program; it is not easy to develop such procedures. To the degree that the language in this section can be simplified, the task of gaining support for this bill and moving legislation through the Congress would be greatly advanced.

To those of us who have a special concern about the decline in children's well being in this country, the momentum that has produced this bill is heartening. With strong leadership from the Congress, there is new promise that the public is prepared to make a serious investment in the future of the nation's poorest families. That promise, however, is neither certain nor secure; it must be nurtured. That is why the next steps taken to advance this legislation are critical and that is why it is important that all members of Congress who support welfare reform seek to reconcile their differences and work closely together to produce sound legislation. We are at a turning point. If welfare reform cannot succeed in this session, families will be forced to wait once again until the nation is prepared to turn its attention to a problem that cries out for bolder, more creative, and more equitable solutions.

Child Care in the United States, 1970 to 1995

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As the proportion of children with mothers who are working has increased, so has the interest and concern about their care arrangements. This study utilizes trends in the proportion of children with a mother in the labor force along with trends in the number of children to project the proportion of children with employed mothers in 1990 and 1995, by age of child. The authors profile the current distribution of children in nonparental care and look at trends over the past two decades. They then present the most recent information on current supply of child care and trends in that supply. Finally, implications of recent developments for the supply of and demand for child care in the future are discussed.

One of the major social changes over the past 15 years is that of women's increased participation in the labor force, which also implies an increase in the number of children with employed mothers. In a society that has traditionally defined the family as the sole institution for childrearing, mothers who work are problematic. Neither workplaces nor schools are designed with employed mothers in mind. Rapid growth over the past two decades in families' reliance on child care both for preschool-age children and during after-school hours for older children has placed severe strains on available child care resources. The increase in children with employed mothers has also led to concern about the effects of parental employment and nonfamilial caregiving on children. That is, if the family is the traditional childrearing institution, some may consider other forms of care as inferior in comparison.

The pressures and anxiety generated by this mismatch between social institutions and family forms are likely to become even greater during the next ten years. Prior predictions (Hofferth, 1979) that the increase in the preschool population with employed mothers would reach its peak by 1990 need revising. What was expected to be a temporary phenomenon shows no signs of disappearing. To the contrary, the proportion of children under age 6 with employed mothers is expected to reach two-thirds by 1995. For school-age children, two-thirds of whom currently have mothers in the labor force, this figure may rise to three-quarters over the next ten years.

The objective of this study is to examine trends in the demand and supply of child care for preschool and school-age children. The focus is on the child as the unit of analysis, rather than the mother, because of current concern for the well-being of children in nonfamilial forms of care. We first assess the current and future demand for child care. We examine trends in the proportion of children with mothers in the labor force from 1970 to 1985 and present new projections of the percentage of children who will have mothers in the work force in 1990 and 1995. The new projections are reported for the preschool and school-age populations. The current distribution of children in types of child care arrangements is presented and trends over the past two decades are traced. Second, we present what is known

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about the current supply of child care and trends in that supply of different types of care. Implications of the continued growth in maternal employment for child care services and schools are discussed, with an emphasis on the needs of infants and elementary-school-age children. Finally, we conclude with some speculations about new developments that will bear on our society's ability to respond to the demographic changes outlined here.

PROJECTING THE NUMBER OF CHILDREN WITH MOTHERS IN THE LABOR FORCE TO 1995

Between 1946 and 1964 the United States experienced a record number of births, now known as the baby boom, which has had and continues to have a lasting effect on the structure of the population. Although fertility began to decline after 1964, dropping to a low of 3 million births by the mid-1970s, the baby boom babies are now adults and have been having their own children. This has once again increased the number of births. Consistent with these trends, the number of preschool children declined until about 1978. After that year the number of preschoolers began to increase once again. By 1990 the number of preschoolers, 23 million, is expected to be only slightly lower than the number of children under 6 at the height of the baby boom (24.6 million children), if current trends continue (U.S. Bureau of the Census, 1984) (Table 1).[1] The number of school-age children declined until 1985, after which there should be an increase at least until 1995. This increase will be concentrated among children aged 6 to 13 (Table 1).

The increase in children with mothers in the labor force was remarkably steady over the past 15 years. It was slightly greater for preschool than for school-age children, although the latter began at a higher level. In 1985, 49% of children under 6 and 62% of children 6 to 17 years old had mothers in the work force, increases of 69% and 44%, respectively, since 1970. The largest increase in the last decade was in the proportion of children under age 1 with mothers in the work force, which rose 57% between 1976 and 1985, from 31% to 48% (U.S. Bureau of the Census, 1986b), compared with an increase of 32% for children under 6 over the same period.

To project the proportion of children who would have mothers in the work force in 1990 and 1995 we took advantage of this apparent straight-line increase in the proportion of children with

TABLE 1. ACTUAL AND PROJECTED NUMBER OF CHILDREN UNDER 18 WITH A MOTHER IN THE LABOR FORCE, 1970-1995, ALL RACES (IN THOUSANDS)

Category	1970	1975	1980	1985	1990	1995
Total < 18	69,762	67,167	63,096	63,015	64,336	67,132
Percentage with mothers in the labor force	39	44	53	58	66	73
Number	27,207	29,553	33,759	36,549	42,462	49,006
Total < 6	20,923	19,667	19,639	21,384	22,995	22,468
Percentage with mothers in the labor force	29	36	43	49	58	65
Number	6,068	7,080	8,445	10,576	13,337	14,604
Total < 1	3,508	3,152	3,561	3,742	3,832	3,623
Percentage with mothers in the labor force	NA	31ª	38	48	—	—
Number	—	977	1,353	1,796	—	—
Total 6-17	48,839	47,500	44,057	41,431	41,341	44,664
Percentage with mothers in the labor force	43	47	57	62	70	77
Number	21,001	22,325	25,112	25,687	28,939	34,391
Total 6-13	32,915	30,372	27,915	26,564	28,393	30,382
Percentage with mothers in the labor force	NA	NA	NA	60	70	77
Number	—	—	—	15,938	19,875	23,548
Total 14-17	15,924	17,126	16,142	14,867	12,950	14,082
Percentage with mothers in the labor force	NA	NA	NA	65	70	77
Number	—	—	—	9,664	9,065	10,843

Sources: Grossman, 1977, 1981; U.S. Bureau of the Census, 1982a, 1984, 1986a, 1986b; U.S. Bureau of Labor Statistics, 1985; Waldman and Gover, 1971.

ª1976 figure.

mothers in the work force and regressed the percentage of children with a mother in the work force against the year (from 1970 to 1985), using a simple linear model.[1] Separate regressions were conducted for each age group of children: under 18, under 6, and 6–17. These equations were used to obtain a predicted value for the proportion of children with employed mothers in 1990 and 1995. These predicted values of the proportion of children with mothers in the work force were then multiplied by the projected number of children in each age group to obtain the projected number of children in each group with an employed mother in 1990 and 1995.

The results show that if current trends continue, by 1995 over three-quarters of school-age children and two-thirds of preschool children will have a mother in the work force. Given the Census Bureau's estimates of the number of children in those age groups, this implies that by 1995 the number of children of school age with an employed mother would reach 34.4 million, 37% larger than in 1980 and 34% larger than in 1985.

The largest increase by far has been in the number of preschool children with employed mothers. In 1990, 13.3 million preschoolers will have mothers in the work force, a 58% increase over 1980, and an additional 2.9 million preschoolers with mothers in the work force over the prior estimate of 10.4 million preschoolers (Hofferth, 1979).[2] If current trends continue, 14.6 million preschool children will have mothers in the work force by 1995, 73% more than the number in 1980 and 35% more than in 1985. This represents an enormous increase in the preschool-aged population with a mother in the work force.

These trends are also characterized by interesting race differences (not presented). Although there are no differences between black and white school-aged children in their mother's labor force participation as of 1985, if trends continue as over the past 15 years, by 1995 a substantially larger proportion of white than black school-aged children will have mothers in the work force, and an equal proportion of white and black preschool children will have mothers in the work force.

PATTERNS OF CHILD CARE USE AND TRENDS, 1965 TO 1982

This article focuses on families that use child care arrangements other than self-care or those provided by nuclear family members. This is the population that places pressure on the current supply of child care and holds important implications for the future demand for child care services.

Child Care outside the Nuclear Family and Self-care: Current Profile

In 1982, between 70% and 71% of children under age 5 with employed mothers used some form of nonparental child care. This estimate does not differ greatly for infants (< 1), toddlers (1–2), and preschoolers 3–5) (U.S. Bureau of the Census, 1983). Among families with school-age children, however, a sizable proportion are able to meet their child care needs through combinations of parental care, self-care, and school attendance, with reliance on self-care increasing noticeably for children age 10 years and older. Accordingly, child care services provide before- and after-school care for between 5% and 45% of school-age children, depending upon hours of maternal employment and age of the child (U.S. Bureau of the Census, 1986c). (For information on self-care arrangements for school-age children, see U.S. Bureau of the Census, 1987.)

Using as a base those children in supervised child care arrangements not provided by a member of their nuclear family, we find distinct patterns of use that vary widely with the age of the child and the full- versus part-time employment status of the mother. The 1982 National Survey of Family Growth (Bachrach, Horn, Mosher, and Shimizu, 1985), from which the current profile is derived, inquired about regular care arrangements for each child under 13 in the household while the mother was employed, thus providing comparative data across the childhood age span (see Table 2).

Child care for infants (< 1) and toddlers (1–2). Relatives and family day care homes (care in the home of a nonrelative) are the primary care arrangements for children under age 3. These two forms of care are used equally for this age group, with each accounting for slightly over 40% of infants and 37% of toddlers with employed mothers.

The pattern of use varies with the employment status of the mother. Among infants under age 1, those with full-time employed mothers are cared for about equally by relatives and family day care providers, and both forms are used to a greater extent for infants of full-time rather than part-time employed mothers. Infants with part-time employed mothers are most likely to be cared for by nonrelatives in the child's home—an arrangement that is rarely used for their infants by mothers who are employed full-time. During the toddler years, relatives become a prominent source of care for children of part-time employed mothers, while family day care homes emerge as the primary form of care for children of full-time

TABLE 2. PERCENTAGE DISTRIBUTION OF U.S. CHILDREN IN FOUR TYPES OF NONPARENTAL, NONSIBLING CARE ARRANGEMENTS WHILE THE MOTHER IS WORKING, 1982 (# IN THOUSANDS)

Age Group	Relative	Nonrelative in Home	Family Day Care Home	Group Care	Total[a]	Number of Children
			Full-Time Employed			
< 1	43.3	5.6	44.4	6.7	100.0	530
1-2	28.4	8.4	45.3	17.9	100.0	1,400
3-5	30.1	7.5	28.0	34.4	100.0	2,100
6-8	41.3	7.6	35.9	15.2	100.0	1,600
9-12	52.7	13.2	25.3	7.7	100.0	1,300
Total	38.0	8.7	34.0	19.6	100.0	6,900
			Part-Time Employed			
< 1	32.2	34.5	26.4	5.7	100.0	190
1-2	54.7	15.1	24.4	7.0	100.0	700
3-5	37.0	15.2	25.0	21.7	100.0	920
6-8	53.9	14.5	30.3	0.0	100.0	350
9-12	45.1	20.7	32.9	0.0	100.0	260
Total	45.3	17.4	26.7	10.5	100.0	2,400
			All Employed			
< 1	40.4	13.5	40.4	6.7	100.0	730
1-2	36.6	10.8	37.6	14.0	100.0	2,100
3-5	32.3	9.7	26.9	30.1	100.0	3,000
6-8	44.3	9.1	35.2	12.5	100.0	1,900
9-12	51.7	14.6	25.8	6.7	100.0	1,500
Total	39.6	11.0	31.9	17.6	100.0	9,300

Source: Unpublished tabulations from the National Survey of Family Growth, Cycle III.
[a] May not add to 100 because of rounding.

employed mothers. Group care programs—nursery schools and day care centers—provide a negligible share of child care for infants but show increased use for toddlers aged 1 to 2 years, particularly for children of full-time employed mothers.

Child care for preschoolers (3-5). For preschoolers, group care programs and relative care are the primary forms of child care. Over 30% of children aged 3 to 5 are in group programs and 32% are cared for by a relative. Again, the balance of reliance on these two forms of care differs for children with full- versus part-time employed mothers. Group programs provide relatively more child care for children whose mothers are employed full-time, and relatives provide more care for children whose mothers are employed part-time.

Family day care homes provide care for about 25% of preschoolers, regardless of the employment status of their mothers. In-home care by a nonrelative recedes in importance for this age group.

Child care for school-age children (6-12). Among school-age children in child care, relatives and family day care homes reemerge as the primary sources of care. In-home child care provided by a nonrelative, though uncommon, is used primarily among school-age children with part-time rather than full-time employed mothers and among older (9-12) rather than younger (6-8) children. Group care for school-age children is restricted to those whose mothers are employed full-time, and is used predominantly by 6-to-8-year-olds.

Trends in Child Care Use and Implications for Future Demand

Among the most basic policy issues in the area of child care is whether the future supply of child care will keep pace with the growing number of children with employed mothers. To inform this issue, we must examine trends in reliance on different forms of care. The census provides these data from 1965, 1977, and 1982 (U.S. Bureau of the Census, 1982b, 1983). Table 3 presents the percentage change in use of the major forms of child care for these three survey years.[3]

Trends in child care use. The most striking trend is the substantial growth in use of group care programs from 1965 to 1982. This growth was steady for children of full-time employed mothers. It was equally dramatic for children under age 3 and for preschoolers ages 3 and 4. Among children of part-time employed mothers, use of centers for both age groups rose substantially between 1965 and 1977, and then declined somewhat between 1977 and 1982.

Family day care homes also showed a steady rise in use by children under 5 (or 6) years of age

TABLE 3. PERCENTAGE AND CHANGE IN PERCENTAGE USING EACH CHILD CARE ARRANGEMENT, 1965, 1977, AND 1982

Employment and Age Group	1965[a]	1977	1982	Percentage Change '65–77	Percentage Change '77–82	Percentage Change '65–82
	Care by Relatives					
Full-time						
< 3	49.0	42.6	41.1	-13.1	-3.5	-16.1
3–4	40.4	37.5	33.7	-7.2	-10.1	-16.6
Part-time						
< 3	56.2	47.2	48.7	-16.0	+ 3.2	-13.3
3–4	56.0	36.5	44.3	-34.8	+ 21.4	-20.9
	In-Home Care by Nonrelatives					
Full-time						
< 3	21.5	7.8	7.6	-63.7	-2.6	-64.7
3–4	23.2	7.9	4.7	-65.9	-40.5	-79.7
Part-time						
< 3	19.3	15.0	11.6	-22.3	-22.7	-39.9
3–4	20.2	12.9	8.3	-36.1	-35.7	-58.9
	Family Day Care Home					
Full-time						
< 3	23.9	38.4	35.7	+ 60.7	-7.0	+ 49.4
3–4	23.8	27.8	21.8	+ 16.8	-21.6	-8.4
Part-time						
< 3	22.6	28.4	32.8	+ 25.7	+ 15.5	+ 45.1
3–4	15.3	25.6	26.5	+ 67.3	+ 3.5	+ 73.2
	Group Care					
Full-time						
< 3	5.8	11.2	15.7	+ 93.1	+ 40.2	+ 170.7
3–4	12.8	26.7	39.5	+ 108.6	+ 47.9	+ 208.6
Part-time						
< 3	2.0	9.3	8.9	+ 365.0	-4.3	+ 345.0
3–4	9.2	25.0	20.8	+ 171.7	-16.8	+ 126.1

Source: U.S. Bureau of the Census, 1982b, 1983.

[a] For 1965, the age group "3–4" includes 5-year-olds. See Footnote 4.

with part-time employed mothers. Among children with full-time employed mothers, particularly infants and toddlers, use of family day care homes increased between 1965 and 1977, and then dropped off between 1977 and 1982.

Use of relatives and in-home care by nonrelatives declined during this period for children of full- and part-time employed mothers, regardless of the age of the child, with the sole exception of relative care for children whose mothers work part-time. Among this group, particularly for preschoolers, use of in-home care by nonrelatives rose somewhat between 1977 and 1982.

Implications for future demand. Given that the most rapid growth among children with employed mothers is occurring among infants and toddlers, parents' care choices for this population provide an important key to future demand for child care. For full-time employed mothers with infants and toddlers, reliance on relatives and family day care homes—the most commonly used forms of care for these young children—has declined in recent years, whereas use of group care programs has risen dramatically. Because full-time employed mothers constitute over two-thirds of mothers in the labor force with children under age 3, this shift toward use of group programs suggests that there will continue to be rapid growth in demand for child care centers.[5] On the other hand, among part-time employed mothers with infants and toddlers, family day care homes—and to a lesser extent relatives—are showing the greatest increases in use. Family day care is thus also likely to grow, though probably at a lower rate than center care.

In-home care by nonrelatives represents a declining share of the child care arrangements used by mothers with infants and toddlers, particularly among part-time employed mothers who have historically been the major consumers of this type of infant care. For preschoolers, a similar pattern emerges, with only group care programs showing increased use among children of full-time employed mothers in recent years. Among preschoolers with part-time employed mothers, group care centers and family day care homes absorbed a growing share of the demand for child care.

Trends in the child care arrangements of school-age children have not been documented, which creates a large unknown in estimates of the future demand for various forms of child care. One can only speculate that continued growth in the size of the school-age population with employed mothers, of whom 7 in 10 are employed full-time (unpublished tabulations from the 1982 National Survey of Family Growth) will either raise the demand for before- and after-school child care programs or produce a growing population of school-age children who are unsupervised when they are not in school.

Parental preferences. So far we have focused on parental choices of care, not parental preferences. Although it is not always true that choice reflects preference, parents' choice of care for their children does seem to reflect their preferences, judging by the low level of dissatisfaction. In the only study of parental preferences for child care, fewer than 10% of all parents surveyed reported themselves to be less than completely satisfied or to be dissatisfied with their current child care arrangements (Unco, 1975). Of course, parental satisfaction may have changed since 1975, when this survey was conducted. The same survey asked parents if they wanted to change their arrangements. Only 24% indicated that they would like to do so. The smallest percentage of parents preferring to change were users of nursery or preschool as a main method. Among all those preferring to change, the most desired types of care were nursery, preschool, and day care centers. Presumably, this reflects changing parental preferences as children grow older and a larger, more educational program becomes appropriate.

Another question is the extent to which demand would be affected by the increased or decreased availability of child care. Unfortunately, there is no commonly agreed upon definition of availability. Should it be defined in terms of cost of care, access to care, or the adequacy or quality of care? One study (Presser and Baldwin, 1980) found that 17% of mothers who were not employed and who were not looking for work said that they would look for work, and 16% of employed mothers would work more hours, "if satisfactory child care were available at reasonable cost." Recent research evidence (Floge, 1986) suggests that in actuality women find the child care they need when they are employed, although problems with arrangements may take a toll on their lives in terms of greater stress and a lower quality of life. Without a better definition of availability and data that would permit analysis of its behavioral effects on child care choice, we cannot say what the impact of changes in these factors might have on future demand for child care.

Cost of care. Although good cost data are difficult to obtain at the national level, the data that exist have consistently shown group care in centers to be the most expensive option (see, for example, Moore and Hofferth, 1979: Table 20). The most recent data on centers (Coelen, Glantz, and Calore, 1979) suggest that parental expenditures on center care rose substantially during the 1970s. Although the cost of group care may constitute a barrier to its use by some parents, subsidization of care from federal and state sources has enabled lower-income families to use this form of care. As a result, there is only a small differential in use of center care by income level (U.S. Bureau of the Census, 1982b, 1983).

There are no data that document the extent to which the cost of care affects choice of arrangement, although there are some recent data that show that cost of child care does affect employment and fertility behavior. Blau and Robins (1986) found that nonemployed women who faced higher weekly child care costs in their local area were less likely to enter employment than those who faced lower child care costs. They also were less likely to have a baby. Of those who were employed, those who faced higher costs were more likely to leave employment than those who faced lower costs. This suggests that high costs of child care could reduce demand for care both through lower fertility and lesser employment. On the other hand, in 1982, 13% of employed mothers said they did not pay for the care of their youngest child under 5. Care was least likely to be paid when it was care by a relative and most likely to be paid when it was out of home by a nonrelative or in a group care center. Although trends are difficult to establish, there has apparently been little change over the past decade in the proportion who pay cash for care (U.S. Bureau of the Census, 1983).

SUPPLY OF CHILD CARE: PATTERNS AND TRENDS

Other than to make broad characterizations of the current supply of child care as uncoordinated and, in some cases, inadequate, data are unavailable to develop a comprehensive profile of existing child care programs. What remain are survey data on the supply of licensed child care and spotty reports of other arrangements, such as employer- and school-sponsored programs. There is virtually no national information on the supply of unlicensed child care, including in-home care and care by relatives, obtained directly from providers.

Child Care Arrangements: Numbers and Characteristics

Child care centers. Corresponding to the growth in the use of group care programs, the supply of licensed child care centers has grown steadily over the last ten years. In 1976, the National Day Care Supply Study (Coelen et al., 1979) reported 18,307 child care centers (all licensed) with a total capacity of 1.01 million children. In 1986, a survey of each state's licensing office (NAEYC, 1986a) revealed a total supply of 62,989 child care centers, of which 39,929 were estimated to be in operation (on the basis of the methodology discussed in Prosser, 1986), with a total capacity of approximately 2.1 million children.

These data suggest that the supply of licensed centers and their capacity have more than doubled in the last decade. This is consistent with the almost 50% growth in use of center-based care just in the last 5 years by full-time employed mothers with children under 5 years of age. With respect to the broader issue of whether the increased supply of child care centers is sufficient to reasonably satisfy the demand for center care, several questions remain.

Little is known, for example, about changes in the age distribution of children in licensed child care centers. In 1976, approximately 14% of such centers enrolled children 2 years old and younger, and an additional 14% enrolled school-age children (Coelen et al., 1979). A major question, then, is whether group care programs have expanded their capacity to care for infants and toddlers—the age group showing the greatest increase in use of center-based child care. In 1982, of the estimated 1.6 million children in center care as their primary form of care, 21% were infants and toddlers (<3), 21% were of school age (6-12), and 58% were of preschool age (3-5) (unpublished tabulations from the 1982 NSFG). This suggests an increase between 1976 and 1982 in the capacity of group programs to care for both infants/toddlers and school-age children, although the comparison is a crude one.

A second unknown concerns the extent to which existing counts of licensed centers underestimate the total supply of group care programs. Several states exempt certain group arrangements from being licensed, such as those that operate part-day or are under church auspices. Similarly, we do not know the extent to which private and public schools are able to meet families' child care needs. As noted by Kamerman (1983), school enrollment data collected by the U.S. Census suggest that preschool programs run under educational auspices provide care for a substantial share of 3- and 4-year-olds, perhaps as many as 37% of this age cohort in 1980 (National Center for Education Statistics, 1982).

Family day care homes. The supply of regulated family day care homes has also increased during the last decade, although not at the fast pace of group programs. In 1977, the National Day Care Home Study estimated the supply of regulated family day care homes in operation at 73,750 with an enrollment of 304,000 children (Fosburg, 1981). By 1986, state licensing offices reported 165,276 family day care homes (NAEYC, 1986a), of which approximately 105,417 are in operation. On the basis of the 4.0-to-4.3-child average enrollment figure for regulated homes provided by the National Day Care Home Study, in 1986, 434,603 children could have been accommodated in regulated family day care homes.

However, to a much greater extent than with group care programs, these estimates fail to reflect the actual supply of family day care homes. Assuming that approximately 94% of family day care homes are unlicensed (Fosburg, 1981), the number of family day care homes would total 1.75 million in 1986.

With respect to the age mix of children in family day care homes, infants represented about 10% of enrollments, toddlers somewhat less than 50%, preschoolers another 25%, and school-age children about 15% in 1976 (Fosburg, 1981). In 1982, 10% of children in day care homes were infants, 26% were toddlers, 27% were preschoolers, and about 36% were of school age (unpublished tabulations from the 1982 NSFG). The percentage who are toddlers appears to have declined slightly since 1977, while the percentage of school-age children has risen. Again, this is a crude measure of the relative rates of growth in family day care capacity for children of different ages.

Other care arrangements. There are no data available directly from providers on the supply of in-home care by relatives and nonrelatives. Data from consumers such as those from the 1982 National Survey of Family Growth, however, suggest that in 1982 about 3.7 million children were cared for by a relative (not including parents or siblings under 12) (Table 2). It is likely that as women continue to move into the work force there will be fewer relatives, such as grandmothers, at home and available to provide child care.

In 1982 an estimated 1 million children were cared for by a nonrelative who came into the child's home (Table 2). Previous discussion suggested a considerable decline in this form of care. Very little is known about it, so it is difficult to speculate on changes in supply; it is likely that the characteristics (e.g., age, ethnicity, and race) of these providers have been changing. For example, recent migrants have often served this function, and the nature of immigration continues to change. Moreover, as women accumulate labor market experience, their likelihood of becoming a provider in someone else's home is likely to decline.

Other Influences on the Supply of Child Care Programs

Data on licensed and unlicensed arrangements provide only partial information about the supply of child care. It is equally important to examine trends in the child care market that affect the current supply of child care and may influence the ability of this market to meet the future demand for child care services.

Employer-sponsored child care. Despite tremendous hope that employers would assume increasing responsibility for their employees' child care needs in the 1980s, only about 1,800 employers out of a total of 6 million businesses in the United States now provide child care assistance (Friedman, 1985). Employer child care assistance is concentrated in high-growth and service industries, most notably hospitals and banks, and in companies with large percentages of female employees (Burud, Aschbacher, and McCroskey, 1984; Friedman, 1985). While most mechanisms currently used by employers help families find and pay for child care—approaches that may increase supply indirectly—120 corporations and 400 hospitals as of 1985 provided child care centers at or near the workplace. In the larger scheme of things, however, employers would not appear to be a major source of expanded child care.

School-sponsored child care. Among the most recent trends that may affect the supply of child care is the burgeoning interest of the public schools in education for 4-year-olds (Kagan, 1986; Morado, 1986). As of 1985, state education agencies in 15 states and the District of Columbia funded prekindergarten programs for 4-year-olds in the public schools or had planned new 4-year-old programs for the 1985–86 school year.

The extent to which these programs will supplement the supply of child care is unknown, although some concerns have been voiced that school involvement in prekindergarten programs will place child care programs at a competitive disadvantage for attracting both children and qualified staff (Morgan, 1985). Moreover, prekindergarten programs are typically part-day and part-year programs, whereas two-thirds of mothers in the labor force with preschoolers are employed full-time, and the programs are typically restricted to 4-year-olds. In addition, most states target their prekindergarten programs on children designated to be "at risk" for school failure, defined by family income, individual screening, or level of proficiency in English.

Although public schools have shown increased interest and concern about school-age child care, there are no national data on the extent to which extended day care programs are being provided by public schools. Private schools have apparently moved ahead in providing extended day programs for their students, at least in part to help recruit and keep students. A 1983 informal survey of private schools in seven cities found that one-third already had operating programs and another one-third was planning to provide them (Seligson, Genser, Gannett, and Gray, 1983).

Profitability of child care. One of the reasons that women who are employed outside the home have been able to afford child care is that the wages received by child care providers are low. To a certain extent, child care providers subsidize the work of women outside the home. Many day care mothers are supported by their husbands and provide child care to other mothers at the same time that they care for their own children (Fosburg, 1981). This keeps the price of care low, as employed mothers pay only the marginal cost of child care. If current child care services shifted toward a system of trained and adequately paid providers, the cost of care would increase substantially. If these costs were completely supported by individual tuition payments, many mothers simply could not afford to work outside the home.

The private for-profit sector of child care has flourished during the past decade, as growing numbers of middle-class families with preschool children seek child care services. Although no national statistics exist on the child care industry, most experts agree that more than 50% of child care centers are operated on a for-profit basis (Child Care Information Exchange, 1986). This sector also relies on keeping wages of child care workers relatively low to ensure affordability for parents and profits for owners, although a current shortage of teachers may raise wages (Child Care Information Exchange, 1986). The growth of for-profit preschool programs was at least partially fueled by a dramatic increase in the preschool population in the early 1980s. This population is expected to again decline after 1990. Future growth in such programs will depend on continued increases in the participation of mothers in the labor force and increased propensity to enroll the children they have in early childhood programs.

The insurance crisis. Recent changes in the availability and affordability of liability insurance may also have at least a short-term impact on the supply of child care (Select Committee on Children, Youth, and Families, 1985). As of January 1986, a national survey of child care providers (NAEYC, 1986b) revealed that close to two-thirds of family day care homes and over one-third of child care centers had had their liability insurance canceled or not renewed. Close to 60% of all programs had experienced a rate increase within the last year, with half reporting increases over 100%. Yet, nine out of ten child care programs had never had a claim on their liability policy, and of those with claims, over 80% reported total claims under $500.

The pertinent issue is whether the unavailability of affordable insurance will diminish the supply of child care programs, lead more programs to operate without proper insurance, or result in increased fees to parents. The national survey reported above (NAEYC, 1986b) revealed that very few programs were planning to close as a result of problems with insurance (5% of child care centers and 13% of family day care homes). However, close to half of child care centers and 21% of family day care homes reported plans to increase parent fees.

Impact of changes in government funding. A substantial share of child care centers—44% in 1976 (Coelen et al., 1977)—receive government subsidies, most typically federal Social Services Block Grant (formerly Title XX) funds. In 1981 an estimated 11,342 centers received SSBG funds, compared to 8,100 in 1976 (ACYF, 1982).

In 1981, however, federal funds for the Social Services Block Grant were cut by 21%. As of 1986, SSBG funds were only 75% of what they would have been in 1982, in real dollars. Accordingly, there are indications that the supply of subsidized child care has deteriorated since 1981 in a majority of states. Thirty-five states spent less on child care in 1985 than in 1981, and 24 states served fewer children in 1985 than in 1981 (Blank and Wilkins, 1985).

Summary. It appears that the supply of child care may be becoming more diverse than in the past, with the growing participation of employers and schools. It is also clear that the overall supply of licensed programs is growing in response to the increasing number of children in families where all parents work. Yet, little is known about the match between families' child care needs and the available supply of child care arrangements. To what extent is the informal market—unregulated family day care homes, care by relatives, and in-home care by nonrelatives—meeting the demand for child care? Is the growth in regulated programs corresponding to the differential rates of increase in the labor force participation of mothers with infants and toddlers, preschoolers, and school-age children? How is the cost of care affecting patterns of child care use? Finally, to what extent are child care arrangements available to families with special needs, such as evening care, sick child care, or care for a disabled child? These are the questions that must be answered before a comprehensive profile of child care supply and demand can be developed.

CONCLUSIONS AND FUTURE DEVELOPMENTS

In this article we have attempted to point out some important demographic trends—changes in the number of children and in the labor force participation of their mothers—that have significant implications for children's care arrangements. Over the past 15 years there has been a tremendous increase in the proportion of children of preschool and school age with mothers who are employed or looking for work. In addition, the baby boom babies are now bearing their own children, which has produced a secondary boomlet in children.

As a result, the number of preschool children has already begun to rise, as will the population of school-age children later in this decade. The increase in the number of children under 18, coupled with the increased labor force participation of their mothers, means a substantial rise in the proportion of children with employed mothers. Although in the past a large proportion of this increase has been accounted for by preschool-age children, as this large cohort of children moves through the schools, the proportion of school-age children with mothers in the labor force will show an equivalent increase over the next decade. Perhaps even more significant, the unprecedented growth in the proportion of infants with working mothers shows no sign of leveling off.

The remarkable increase in the number of children cared for in day care centers over the last decade has shown that parents are willing to use formal group care arrangements for their preschool children and, increasingly, for their infants and toddlers as well. There is no indication that this trend will slow anytime soon. An increasing proportion of younger school-age children are also cared for in centers after school. Day care homes are an important source of child care;

however, this is mostly for children under 3 and for those 6 to 8 years of age (primary form of care). As reliance on care by nonrelatives increases, there has been a concomitant decline in care by relatives and nonrelatives in the child's home. In addition, the proportion of children in female-headed and small families, which are more likely to use group care in centers, has not declined, but rather has increased, supporting our conclusion that the demand for formal child care programs will continue to grow over the next ten years.

Pressures can be anticipated for infant child care and before- and after-school programs. One factor that may affect use of group programs for infants is the extent to which parents fear children's exposure to the kinds of increased health risks, such as intestinal infections and more colds and flu, that have been found in recent research to be associated with group care among very young children (Child Day Care Infectious Disease Study Group, 1984; Haskins and Kotch, 1986). Another factor may be the higher cost of such care relative to some other care options. More and better information is needed on the types of programs that children participate in before and after school. Current data certainly underestimate participation in such programs, since most surveys have not clarified the distinctions between centers and school-based programs. As a result, it is likely that parents do not consistently report before- and after-school care arrangements. On the other hand, the surveys that ask about such programs directly obtain only a very small reported number of participants. It is clear that such programs are not widespread. Two central issues that will bear on the future profile of school-age care concern parents' willingness to pay for child care past the preschool years and children's willingness to attend supervised programs.

These data also suggest that schools can no longer afford to ignore the labor force status of parents. In 1985 more school-age children had mothers in the labor force than not. By 1995 three-fourths will have mothers in the work force, if present trends continue. Issues such as the scheduling of meetings with parents and of expecting parental involvement in school activities, as well as the issue of before- and after-school care in the school setting, will continue to be salient issues into the next decade.

What future developments may affect public and private responses to the need for child care? First, the latest research (Blau and Robins, 1986) demonstrates that the cost of care affects the actual choices individuals make regarding their fertility and their employment. The high cost of childbearing and rearing today is probably at least partially responsible for the very low levels of fertility in this and other Western countries (e.g., Kamerman and Kahn, 1981). This country has not yet experienced the substantial concern that the European nations have over low fertility, but it may in the future.

Second, the increased participation of women in politics has led to a number of major legislative proposals regarding parental leave. The demand for infant and toddler care will be affected by the future availability of parental leave and other policies that will change the incentives to mothers for working outside the home or remaining at home during the infant and toddler years. Presently, paid maternity leaves are available to fewer than 40% of employed mothers and are usually very brief (6 to 8 weeks) (Kamerman, Kahn, and Kingston, 1983).

Third, any change in political ideology with respect to the role of the federal versus private sectors in subsidization of child care would affect demand and supply. At the present time, the burden is on the private sector, which has increased somewhat its efforts to provide child care over the past decade.

Finally, the consensus from the research conducted to date is that employment of the mother per se has no consistent positive or negative impact on the child (Hayes and Kamerman, 1983; Moore and Hofferth, 1979). The neutrality of the research literature has certainly had a major impact in reassuring mothers who are employed or would like to be employed. Recent research has been exploring the characteristics of the care setting in which children are cared for during the day to better distinguish aspects of the environment and care that are detrimental or that contribute to children's well-being (Clarke-Stewart and Fein, 1984; Phillips, 1984). Such research can be useful to help parents make better decisions about the care arrangements they choose. In addition, it can help us better understand the long-term effects of a generation of children that grow up spending part of their day in alternative, nonparental care. Since preschool children with employed mothers will soon become a majority of the population of young children, it is no longer a question of whether but of which alternative arrangements are best, and how to pay for them.

This study has focused primarily on nonparental care for children because of the mother's employment outside the home. Since mothers have been the primary caregivers, researchers have always been concerned about the impact of their absence on children. Although among all dual-earner families fathers provide child care in a small proportion of the cases, among shift workers the father often serves as the major source of child care while the mother works outside the home (Presser and Cain, 1983). Perhaps the question should be reshaped so as to focus on the impact on children of the employment of each parent and the impact of greater or lesser participation by the father in caregiving, since this is the context for the alternative arrangements presented here.

FOOTNOTES

1. Although no one presumes to know what the exact numbers will be, the U.S. Bureau of the Census has developed detailed projections of the population of the United States based on three different assumptions of the completed family sizes of young women. The middle series of projections, used here, assumes that women will bear 1.9 children during their lifetimes (U.S. Bureau of the Census, 1984). The series is considered most reasonable because it most closely matches expectations of women and their actual behavior as reported in surveys. In 1983, American women 18 to 34 years old expected to have an average of 2.1 births in their lifetimes. However, women 30 to 34 had only borne 1.8 births by that age. This birth cohort is likely to reach the projected 1.9 births, on average. However, each successive birth cohort has had fewer children at each age level. These delays are likely to result in lower fertility than reported fertility expectations would reveal. As a result the projections of the number of children, especially young children in 1995, may be somewhat higher than the true number (conversation with Greg Spencer, 1985).

2. The numbers in Table 1 are based on the assumption that the labor force participation of women will continue to increase at least until 1995. How appropriate is this assumption? The labor force participation of mothers cannot continue to rise in a straight-line fashion forever; rather, it must eventually level off at a new, higher level. What that level is, of course, we do not know. There is no sign yet of a decline in the rate of increase in the labor force participation of mothers (Waldman, 1985), and previous projections have substantially underestimated this trend. However, the reader should be cautious in using these numbers as a prediction of the future. Rather, they are the implications for the future of current trends.

3. The difference in projections for 1990 is due to an increase in the projected proportion of children with mothers in the labor force. The projection of the number of children under 6 for 1990 made in 1979 is actually slightly higher than the current projection, but this is not enough to make up for the substantial underestimate of the extent to which mothers would continue to move into the labor force during the 1980s.

4. Although the data are nationally representative and otherwise of excellent quality, there are a number of important limitations in terms of comparability across survey years. The first major difference between surveys is that the definition of age groups differs between 1965 and the 1977/1982 surveys. The grouping is under 3, 3-5, 6-11, 12-13 in 1965; in 1977 and 1982 it is under 1, 1-2, and 3-4. Children age 5 and older were not included in the 1977 and 1982 surveys. Second, different coverage of children obtains each survey year. For 1965, care arrangements were obtained for all children under age 6. In 1977 the survey obtained care arrangements for up to two children under age 5. Finally, the 1982 survey obtained care arrangements only for the youngest child under 5 but, in addition, obtained primary and secondary arrangements for that child. This change was made because the 1977 study found few differences in arrangements for the two youngest children under 5. In addition, surveys differed in their timing during the year, definition of employment of the mother, and definition of the period over which child care arrangements were made. These may produce small differences in results. However, in general the trends presented here should not be greatly affected by these survey differences.

5. The majority of mothers are employed full-time. Recent data (U.S. Bureau of Labor Statistics, 1985) show that about two-thirds of all women with a young child under 3 years of age are employed full-time, compared with 71% of all mothers. Moreover, tabulations from the 1982 National Surveys of Family Growth show that three-quarters of employed mothers with children under age 1 are employed full-time. There appears to have been little change in the distribution of mothers employed part-time versus full-time over the last decade. The major change has been the movement of mothers into the labor force.

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Ms. Kennelly. Thank you, Ms. Blum.

I would say that your paper, I would like to receive a copy and also enter it into the committee record.

I would like also the record to show that Ms. Blum is here testifying today for the Foundation for Child Development. As our 18 months have gone by, her work as an official of New York, her work with the Manpower Development Corp., and her work in connection with the Public Welfare Association has been unfailing. Ms. Blum has been an important resource for developing where we are today.

I would urge you in the next week or so to continue to contact us and to let us know of your thinking, because obviously we are using much of your past work and we think you should very much be a player in what we are doing right now.

Ms. Blum. Thank you.

Chairman Ford. Ms. Edelman?

STATEMENT OF MARIAN WRIGHT EDELMAN, PRESIDENT, CHILDREN'S DEFENSE FUND

Ms. Edelman. Thank you, Mr. Chairman. I have submitted very detailed testimony in strong support of the approach taken in H.R. 1720. As usual, we always have a few things we would like to strengthen, which we hope you will give full consideration to.

I would like to submit as an addendum to our formal testimony on H.R. 1720 our strong objections to the administration's approach to welfare reform so that you can be fully aware of our difficulties with that proposal, or that set of proposals.

I want this morning just to make a few overarching points, several of which are in response to listening to Mr. Miller. Mr. Miller and I are neighbors, and our children have shared the same classrooms. As one parent to another parent, I just want to state my very strong exceptions to his relegating children of the poor to services that he and I wouldn't stand for a minute for, for our children, particularly the informal day care arrangements.

Two children who recently died in Florida, Maurice and Anthony, who were 3 and 4 years old, died in a clothes dryer. They were in informal day care because a cousin didn't show up that day. Their mother was on a waiting list—which had 22,000 people on it—for subsidized child care in Florida. Mr. Miller wouldn't dare tolerate that kind of informal arrangement for his children, nor would I, and I don't think that we can therefore make that judgment for other people's children.

Secondly, higher income parents are seeking child development programs for enrichment. I do it. He did it. Other middle-class parents are doing it. 70 percent of 4-year-olds of families earning over $35,000 in income are in early-childhood programs of some kind seeking enrichment. Yet, less than 35 percent of the 4-year-olds whose families are earning less than $10,000 are enrolled in these preschool programs, and I would submit that they need these programs more than my children need them or Mr. Miller's children need them. And I think we need to be cautious to think that somehow if we do this to the children of the poor that it would somehow benefit them less than those of us who are middle-class and wealthier.

But I was just outraged, frankly, at his relegation to informal day care arrangement for children of the poor.

Another thing I would hope this committee will do—and you have done it, I think, in the approaches you have taken in H.R. 1720—is that you really focus on the forest rather than just the technical trees. We heard an awful lot this morning about fiscal responsibility, and we all want to be fiscally responsible in our new proposals.

But I think we also need to be humanly and morally responsible in our approach as a Nation. We need to look at the cost of neglect as well as the cost of investment, which is what we are talking about here.

It is time for us to move away from punishing children because of the judgments that we choose to make about their parents. I do not see that there is any basis for making a distinction between the needs of the poor elderly and the needs of poor children. In fact, we need the services for those children more.

I also want to remind us, that in thinking about what we are going to come out with as a bottom line on this bill, that we need to focus in on children and on self-sufficiency building. You know, our Nation is really in the midst of making a catastrophe. One in four of our children is poor. One in three of our children is nonwhite or Hispanic, of whom two in five are poor. One in five is at risk in becoming a teen parent. One in six is without health insurance. One in six lives in a family where there is no parent that is employed. One in seven is at risk of dropping out of school. And we have one in two who has a mother working outside the home, but, only a very small percentage of those have quality child care.

And the implications of this for the work force of the year 2000, for our competitiveness, for our productivity as a Nation, quite apart from how we may feel about their parents, is just critical.

So we really have to think in very different terms about our investment and the fact that that investment is going to be far less than the cost of our neglecting to make these children healthy and productive and keeping them in school so that we can prevent them from going on the welfare rolls in their future years. So I just hope that we can keep our eyes on the forest rather than working with all the trees, as too many of us do.

I want to thank you for your strong leadership. You have been terrific. I think that H.R. 1720 represents a very major step forward in a host of areas. First, I particularly want to applaud the comprehensive focus of the bill which addresses all of the issues related to eventual self-sufficiency, employment and training, child care and medical care, child support, and adequate income supports for the next generation.

All of these pieces are necessary, as is that other piece of making sure that the kids get off of welfare and don't get on welfare in the first place. That means that we have to supplement it with an upfront preventive investment strategy.

But you need to try to do it all because any single piece of it alone isn't going to work. So I just hope as you move along and as you try to make your compromises, that you will do some of all of these things because it is that comprehensive approach that we think in the long term is going to have the payoff. We must not be deterred from this focus. We do not need more piecemeal approaches to dealing with the complex reasons why people are in poverty.

Secondly, I want to just reinforce the importance of some of your individual pieces. Improving AFDC-UP is especially important. I like the fact that you have targeted as well on the special needs of teen parents within the UP approach. We also appreciate the changes you are trying to make in child support enforcement because there ought to be more parental responsibility, and I think that the steps you are taking will yield more support for kids through greater parental responsibility.

I am pleased that you have taken steps to remove the financial disincentives to work, and very importantly, that you are taking steps to move toward a minimum level of income support for all poor children. While I know you have targeted 15 percent of the median, I hope that we can do a little bit better. I think it's very important that we move toward some minimum target of support for the Nation's children, even if we can't reach parity with the Nation's elderly. And we would love to see you target a little higher, toward 25 percent of the median or 50 percent of the poverty level. I mean, I would think that it's not going to break the bank to try to see that we maintain our children at half the Federal poverty level. We would like to see you at least try to see if you could move upward a little bit. But regardless, establishing a goal of some minimal level of decency, we think, is very important. We like the fact that you have taken that approach.

Finally, I want to just leave you with three points and stop. First, I want to encourage you to keep the focus on employability development. We need to remove real barriers to employment rather than blaming the victims of poverty. We've also got to pay some attention to the job market out there and to the economic structure because moving people off the welfare rolls means we have to move them into something. I do appreciate the fact that you are making employment development a focus of H.R. 1720.

Secondly, we believe the emphasis on education and training and supportive services is the right approach. And while we have a few suggestions for strengthening those provisions, we think the direction is right. We have some questions about open-ended workfare programs because we fear they may be abused. We have information that in the past they have been abused and do not lead to permanent work experiences. We have some specific suggestions for ways in which you might tighten up those provisions in your bill.

The third and central point I want to emphasize again though is the importance of our not trying to go cheap on child care. You've got to keep kids in focus here. If our point is to prepare young children to do well in school, to stay at grade level, to learn, then we don't want to cheat them on child care and make sure that by the time they hit first grade they're already behind.

Children in AFDC families are the same poor children whom we all know need strong, cost-effective early-childhood development programs. That was why we designed Head Start. The only shame about Head Start is it only serves 17 percent of eligible children. But we now know that Head Start makes a difference in keeping kids at grade level, not in costly special education. It decreases teen pregnancy, which in turn gets at that group of mothers who are more likely to be long-term welfare dependent.

Please don't go cheap on child care. Think about the children and the investment and the eventual self-sufficiency we are trying to foster. If we force these children into low-cost, unregulated, and poor-quality child care arrangements, we are simply perpetuating the intergenerational cycle of poverty.

In closing, I just would reinforce the importance of, if you've got to make compromises, trying to keep all the pieces there. Please do a little something in all of them. Do a little child support. Do a little income support. Do some employability and training. But don't take a piece-meal approach.

I think that we need to say over and over again that we can do something to eliminate the overwhelming majority of poverty in this country, but it is going to take a differentiated approach. We have to deal with preventing poverty and preventing welfare. We have to deal with moving those women off the welfare rolls through employment and training and adequate income and adequate child care and support services.

Again, on Medicaid, I would just highlight it as being particularly important because many of these women are moving off of welfare into minimum-wage jobs which are not likely to have health insurance. And we know that that is a deterrent to many of them. Women should not have to choose between health care for their children and getting off the welfare rolls, which I think most of them would like to do. So I just want to emphasize the importance of those transitional services.

Lastly, I hope that as you prepare people to get off welfare and help them with the supportive services, that we could also have other committees working on making sure that there are real jobs there so that they can maintain their families with a minimum level of decency.

[The prepared statement of Ms. Edelman follows:]

Statement of Children's Defense Fund,
Marian Wright Edelman, President

I am Marian Wright Edelman, President of the Children's Defense Fund, (CDF) a privately-supported public charity that for nearly 15 years has sought to serve as an advocate for poor children and their families. CDF's goal is to educate the nation about the needs of poor children and to encourage preventive investments which will protect and promote their full and healthy development. CDF's work spans a broad range of public policy issues, including family income, health care, education, youth employment, child care, and specialized services that are essential to the well-being of the next generation and to the future of the nation.

I appreciate the invitation to appear before the Subcommittee today on behalf of the Children's Defense Fund to discuss with you the Family Welfare Reform Act, H.R. 1720. I am particularly encouraged by the thoughtful and comprehensive approach which you have adopted in guiding the Subcommittee's examination of potential improvements in our present welfare system. In past discussions of welfare reform we have all succumbed to the temptation of focusing too narrowly on essential mechanisms for income support without also exploring ways of reducing the likelihood that American families will be forced to turn to AFDC or other federal programs to meet their most basic needs. Your leadership in stimulating debate on a broader range of issues -- including not only employment, but education and training, supportive services, health care, child support, and other income support concerns -- and your efforts to highlight the special needs of children and young parents in the context of that debate have opened important and promising new directions for Congressional action.

We sincerely hope that Congress will begin moving this year in a direction that will help move many more families toward self-sufficiency and out of poverty. Targeted investments in education, training, and support services for low-income families, including disadvantaged youth at risk of becoming parents at an early age and teen parents already on the AFDC rolls, represent an essential component of any long-term strategy to promote self-sufficiency. A strong jobs strategy is also needed to reduce the number of families on welfare. Finally, a stronger system of income supports for poor children and their families is necessary to provide a solid foundation for the future self-sufficiency of the next generation of Americans -- a generation of children now too frequently growing up in families without the resources to give them a strong and healthy start in life. In this regard, child support offers an important, but often neglected, opportunity to assist poor children and enable some poor families to remain off the welfare rolls.

CDF believes that the Family Welfare Reform Act currently before the Subcommittee includes specific steps in each of these areas that can and must be taken this year to move the country forward in its efforts to assist poor children and families and we commend you and the Subcommittee staff for its development. Investments needed for the reforms in H.R. 1720 can no longer be delayed. We are already paying a high price for such deferred or neglected investments, one that is reflected in the cost of our welfare programs as well as in the lost potential of millions of Americans. We cannot continue to be so shortsighted. The gains which can be achieved through targeted investments now in poor children and their families are clear and compelling.

States must be helped to begin to move forward in all of the areas addressed by H.R. 1720. Action in any single area alone is not welfare reform, and more limited actions will have little lasting impact on poor children and families. Much of the new consensus around welfare reform is built upon a renewed emphasis on employment, with more attention being given to the education and training that is necessary to improve the employability of many AFDC recipients. This emphasis has led to proposals for long-overdue and worthwhile investments including the provision of individualized assessments, contracts, case management and a guarantee of various supportive services. Yet even at their best, effective training and employment programs cannot eliminate the need for some system of income support for those not able to work or to earn enough to adequately support their families. Thus, they must be coupled, as in H.R. 1720, with basic improvements in our income support system. Similarly, enhanced child support enforcement, even at its best, will never eliminate child poverty or the need for other income supports.

H.R. 1720 recognizes the immense challenges involved in beginning to move large numbers of families on AFDC toward self-sufficiency. In each of the areas addressed it includes several approaches for enhancing support to poor families which recognize the varied needs of AFDC recipients. States are given time to phase in new programs but required to implement sooner improvements to assist families already struggling to work.

The National Education, Training, and Work Program (NETWORK) in H.R. 1720 will help parents to better support their children. Parents who in the past have had few employment prospects available to them because of severe educational deficits will be provided the opportunity to receive the remedial help and training they need. Young mothers on AFDC, who on average read at only the sixth grade level, are in particular need of help to improve their basic reading and math skills. H.R. 1720 recognizes that the investments necessary to adequately meet the needs of these more disadvantaged populations will be substantial but that the long-term pay-off will be significant. It acknowledges that a federal mandate now for participation by all parents of young children will overwhelm the programs and services available in most states, and in giving states flexibility to mandate participation it emphasizes the client's guarantee for child care and other supportive services.

We are also pleased that through the expansion of the earned income disregards in AFDC, the alteration of the 100 hour rule for AFDC-UP families, and the provision of transitional child care and health care assistance, H.R. 1720 is helping AFDC recipients who are ready to work outside the home to take advantage of employment opportunities that are available. Without such changes, many families cannot afford to begin to move up the employment ladder.

The multiple challenges involved in addressing the inadequacies of our current income support system are also addressed by H.R. 1720. Provisions for enhanced child support enforcement efforts will help ensure that many more children will receive the maximum support to which they are fairly entitled from their parents. Such assistance represents an important contribution to the well being of many children, both physical and emotional. The proposals in H.R. 1720 address a range of specific problems that have been identified in the implementation of the Child Support Enforcement Amendments of 1984.

We also applaud the Subcommittee's continuing efforts to strengthen other pro-family aspects of the AFDC program. CDF strongly supports the requirement in H.R. 1720 that all states extend AFDC coverage to otherwise eligible poor two-parent families through the AFDC-Unemployed Parent (AFDC-UP) program and improve access to AFDC by young two-parent families. H.R. 1720 also makes several other changes that we believe will enable more minor parents to remain at home, where they often have access to necessary supports from their extended families. In our view, the provisions that would eliminate the financial disincentives to live at home posed by the grandparent deeming and standard filing unit provisions in current law, thereby ensuring that minor parents who are able to live at home will be financially as well off as others, represent the most effective way to encourage them to stay at home. We are concerned, however, that your efforts to go beyond the elimination of these disincentives and to mandate that minor parents live at home or in other supportive living arrangements as a condition of AFDC eligibility will jeopardize the well-being of those young parents and their children, for whom the option of establishing an independent household may be essential.

We also believe it is crucial to provide, as H.R. 1720 does, incentives for states to increase their benefit levels. In the Subcommittee you have a sampling of the great diversity in benefit levels across the country -- from Texas and Alabama on the one hand to California and New York on the other. We well recognize the complexities involved in molding provisions that will encourage benefit improvements in all states. Provisions that require states to periodically re-evaluate their need standards and payment standards and give all states fiscal incentives to increase benefits recognize the variation that exists between states. In that regard, however, we urge you to require at least a one time updating by states of their standards of need. Further, in order to ensure that all eligible children will be provided a level of income support (excluding food stamps) that is at least equal to 50 percent of the poverty level, we also urge you to set the five-year goal in H.R. 1720 for benefits at 25 percent rather than 15 percent of the state median income for a family of four.

Working within the framework of H.R. 1720, CDF has a number of additional suggestions for improvements in the bill that we believe will strengthen the likelihood that AFDC families will be able to move toward self-sufficiency. Our recommendations for needed improvements fall in three additional areas: education, training and employment; the provision of child care; and child support enforcement.

TRAINING AND EMPLOYMENT

CDF welcomes the focus of the proposed NETWORK program on long-term improvements in employability for more disadvantaged AFDC recipients through investments in education, training and supportive services. The resources provided for these purposes in recent years have fallen far short of those necessary to remove the substantial barriers to employment and eventual self-sufficiency which confront many AFDC families. CDF believes that H.R. 1720 takes some important steps to reverse this shortsighted pattern of underinvestment in harder-to-employ individuals who are shut out of the labor market. However, we believe that several changes in the education, training, and employment provisions of the bill are necessary to ensure that limited resources are used in a way that will help the most disadvantaged AFDC recipients.

Limitations on Work Experience Programs

First, we are deeply concerned that the open-ended authorization of community work experience programs (CWEP) contained in Title I of the bill will undermine the goal of targeted and lasting improvements in the employability of AFDC recipients. As presently drafted, H.R. 1720 permits states to require unlimited numbers of NETWORK participants to complete twelve-month CWEP assignments and fails to ensure that participants will not be reassigned to similar or identical CWEP activities after a perfunctory reassessment. This sweeping authorization poses a serious threat of abuse, allowing states or local communities to discourage needy families from obtaining income support through programs with punitive intent or to substitute uncompensated AFDC recipients for paid civil servants in a broad range of low-skilled occupational categories.

CDF believes the authorization of longer-term CWEP assignments does not represent an effective strategy for improving the employability of AFDC recipients and may actually distract states and communities from this goal. While research conducted by the Manpower Demonstration Research Corporation (MDRC) suggests that three-month work experience programs can yield modest employment gains, there is no evidence that work assignments of longer duration would significantly enhance the employment prospect of participants. Thorough evaluations of work experience programs under CETA found that, unless combined with education or training, such work programs by themselves do not help more disadvantaged individuals find permanent jobs. These findings led the Congress to place strict limitations on the use of funds under the Job Training Partnership Act (JTPA) for work experience programs, and the NETWORK program should also incorporate these important lessons.

To ensure the effective use of scarce federal resources, CDF encourages the Subcommittee to replace the open-ended CWEP authorization with an option for states and communities to operate three-month work experience programs as currently authorized under JTPA. The Subcommittee should also take steps to ensure that such work assignments are closely linked to the employability plan developed with the participant upon entry to the NETWORK program. Repeat assignments to work experience programs after the initial three-month period should be clearly prohibited in order to preserve the integrity of the program and avoid the dangers of worker displacement.

Encouraging Voluntary Participation

Second, while CDF is appreciative of the intent in H.R. 1720 to extend education and training opportunities as well as supportive services to adults on AFDC who have traditionally been denied such opportunities, we are concerned that such targeting efforts must be structured to ensure that the motivation and personal initiative of AFDC recipients are not undermined. For this reason, CDF urges the Subcommittee to clarify that, within the target groups designated to receive NETWORK services, states and communities must place an emphasis on serving individuals who volunteer to participate. While it may not be possible to guarantee priority access for all volunteers, we believe that states should be required to make all reasonable efforts to promote and encourage voluntary participation in NETWORK programs and to ensure that more disadvantaged volunteers are served before other AFDC recipients with similar backgrounds are compelled to participate. This balance between the goals of targeting and rewards for personal initiative is both equitable and necessary to the longer-term effectiveness of the NETWORK program.

Giving Priority to Education Services

Finally, CDF welcomes the emphasis which H.R. 1720 has placed on remedial education services for those without a high school diploma. In CDF's testimony before the Subcommittee on March 10, 1987, we summarized convincing evidence that improvements in basic academic skills must be a major element of any attempt to bolster the long-term employability of AFDC recipients. We believe that the Subcommittee's efforts in this area could be strengthened by clarifying that any NETWORK participant who has not completed high school must be provided an opportunity to enroll in an appropriate program of remedial education leading to a diploma or its equivalent before being required to participate in any other employment-related activity. This endorsement of basic skills improvements would yield invaluable dividends for the nation and contribute greatly to the future self-sufficiency of AFDC families.

Improving Protections

To help ensure that individual families can fully benefit from the improvements in education, training, and employment opportunities in H. R. 1720, CDF urges the Subcommittee to strengthen the protections afforded recipients in the NETWORK program. Throughout the assessment and development of the employability plan and the contract, the recipient should be provided a right to challenge and appeal those portions of the plan or contract that he or she does not agree with. Such a provision would strengthen the current language in the bill that "to the maximum extent possible, the employability plan shall reflect the preferences of the family members involved." The NETWORK participant should be advised in writing of his or her rights in the contracting process and of the right not to sign the contract and to request a fair hearing with the current protections afforded WIN recipients. Similiar protections and provisions should be afforded to program participants who believe they have been denied the services agreed to in the contract (including specific education, training, and employment services, and supportive services such as child care) or who believe they have been provided inadequate services.

Closely related to these protections is the need for an opportunity for conciliation before NETWORK participants can be sanctioned for non-participation in the NETWORK assignments. CDF recommends that the opportunity for conciliation, currently afforded WIN recipients, also be afforded NETWORK participants. We also urge that the initial sanction for non-compliance be limited to a maximum of three months or until the failure to comply ceases. Although we recognize that H. R. 1720 provides for written notice at three months, we do not believe that is sufficient. Finally, we recommend that any sanctions when imposed be limited to the offending party only, and not to the entire family in two parent families as is the practice under law and the proposal in H. R. 1720.

CHILD CARE

The likelihood that mothers on AFDC with young children will be able to benefit from the education, training and employment opportunities provided by H.R. 1720 is greatly enhanced by the bill's strong emphasis on guaranteeing that child care will be provided before participation in any such programs can be mandated. More specifically, the bill requires that parents receive a description of available child care services, increases the amount of child care funds that are reimburseable under the new program, continues child care assistance for a year while families are making the transition from AFDC to employment, and recognizes the need for states to periodicially assess the supply of available child care. These provisions represent a significant step forward in ensuring that children whose parents will be attempting to move toward self-sufficiency can benefit from safe, dependable child care arrangements. However, in order to further ensure that these children have access to quality child care, we urge you to make several additional improvements in the child care provisions.

Reimbursement for Child Care Expenses

First, we are concerned that the caps on child care expenses currently included in H.R. 1720 are still too low, even though they represent an increase over current allowable child care expenditures in the AFDC program. Although ideally we would prefer to see no cap, at a minimum we urge you to increase the maximum monthly allowable child care amounts to $225 a month for children ages two and over, and $250 for infants and children under two. The cost of full-time child care, on average, is estimated to be about $3,000. If adequate reimbursement is too low, low-income parents will be forced to accept low-quality child care arrangements, and there is a danger that a two-tier child care system will be established. Already, child care providers are frequently reluctant to serve low-income children, and state rates for child care are often below what the market will bear. We also urge you to make it clear that states will be allowed, and are encouraged, to supplement the costs of care when they exceed the limits for full reimbursement. In addition, we urge you to specify that states can use the new child care funds to supplement assistance available in part-day early childhood development programs, such as Head Start.

Using Child Care Contracts and Certificates

Second, CDF urges you to amend the child care provisions in H.R. 1720 by specifying that child care should be provided only through contracts with child care providers or through child care certificates. Such a change will make it easier for AFDC parents to use regulated quality child care providers. Too frequently child care providers who operate on budgets with little elasticity are reluctant to accept children for whom payment is not guaranteed and whose parents pay on a unregular basis. Yet these more formal child care arrangements are likely to be more dependable and to offer parents the stability they need to finish school, complete a training program, and remain in a new job. The use of contracted slots and certificates will also facilitate the provision of continued child care assistance for families who lose AFDC when they begin working outside the home. California's GAIN program and Massachusetts' ET program offer child care certificates to participants to purchase regulated child care. In order to ensure a smooth transition to the new system of providing child care, H.R. 1720 must include provisions to ensure that no AFDC applicant will be disadvantaged by the removal of the child care disregard and that families currently receiving cash reimbursement through the use of the disregard will be allowed to choose to continue to use their existing child care arrangements.

Regulating Child Care Settings

Third, we also ask you to further strengthen the provisions in H.R. 1720 that relate to the regulation of child care provided under the NETWORK program. The bill currently states that child care services must meet applicable standards of state and local law. This language should be strengthened to ensure that child care in unregulated settings will not be eligible for reimbursement. Such a clarification would be consistent with what is generally done with Title XX child care funds. In 37 states, for example, Title XX funds will not pay for unregulated relative care. Families instead are encouraged to seek out regulated care with relatives or in family day care homes or child care centers. A stronger regulatory requirement will not only offer basic health and safety protections to children but also help parents use more dependable child care settings. This will reduce the possibility that they drop out of training school or work because their child care arrangements fall apart.

Guaranteeing Access to Child Care

Fourth, we urge you to strengthen the provisions in H.R. 1720 related to child care by ensuring that parents are fully notified that they have a guarantee of child care if they choose to participate in the NETWORK program. The orientation session for participants described in H.R. 1720 should be strengthened to ensure that information on the availability of child care is provided by a representative of a local child care resource and referral agency, or if they do not exist, by an agency representative knowledgeable about local child care services.

Expanding Transitional Child Care Assistance

Finally, we ask you to consider one additional improvement in the child care area. While we applaud your one year continuation of child care for families who leave AFDC with earnings, we recommend that you continue a family's assistance on a sliding fee scale basis beyond one year until its income reaches the level which would make the child ineligible for subsidized child care in the state where the family resides. We are concerned that parents who cannot find subsidized care or afford child care on their own by the end of a transition year, will be forced to choose between moving back to welfare or taking their children away from familiar caregivers and placing them in low- or no-cost, often fragile child care situations.

CHILD SUPPORT

Overall CDF believes that the thrust of the child support provisions in H.R. 1720 are extremely constructive and should go a long way toward ensuring that more children have an opportunity to benefit from parental support. They specifically address many of the problem areas CDF has identified in its monitoring of the Child Support Enforcement Amendments of 1984. These include: the failure to pursue paternity establishment; the inadequate benefits received from child support awards; and severe management problems which result in excessive delays and the denial of services.

The proposals in H.R. 1720 for enhancing paternity establishment, requiring the use of guidelines in establishing child support awards, expanding the child support disregard, requiring the establishment of time limits for various child support enforcement functions, and mandating the establishment of automated tracking and monitoring systems all supplement the improvements required by the Child Support Enforcement Amendments of 1984, and are an important part of any effort to enhance support for poor children.

We do have some specific concerns about certain aspects of these provisions that we ask you to address in your mark-up of the bill.

Establishing Paternity

Our first concern relates to one of the provisions for improved opportunities for paternity establishment in the bill. As drafted, H.R. 1720 requires states to establish paternity for all children within the state, at birth to the extent possible, but in any event prior to the child's 18th birthday. While CDF strongly believes that paternity establishment is vitally important for all children, we have grave concerns about trying to increase the number of cases where paternity is established in this way. A requirement that paternity be established for every child ignores the fact that there may clearly be cases where it is inadvisable and potentially harmful to pursue paternity establishment. In other cases the identity of the alleged father or his whereabouts may be unknown. The current AFDC program, for example, allows mothers to claim "good cause" for refusing to cooperate with the state in establishing paternity when the child is the result of rape or incest, the child is being put up for adoption, or the mother has a reasonable fear that the father, if identified and pursued, would physically or mentally harm her or the child. At a minimum similar good cause exceptions should be added to H.R. 1720.

But we also have other problems with this provision. For example, it is difficult to foresee how it realistically can be enforced when it appears to reach parents who do not receive AFDC or use the services of the IV-D Child Support Enforcement System. It is not clear how a state could compel these parents to pursue paternity, certainly an intimately private personal decision. Further, it seems particularly inappropriate to suggest penalizing AFDC recipients for the state's failure to do so. As the provision is drafted, a state that does not enact such a requirement would be in jeopardy of losing a portion of its federal funding for the AFDC program.

It is also problematic, in our view, to push states to establish paternity upon the birth of the child. While we would support a provision which encourages notice to parents at birth about paternity establishment, we recognize that there will be legitmate contested situations where reliable blood testing cannot be done at the time the child is born, and in some cases not until the child is at least a year old.

Rather than mandating the establishment of paternity for every child, CDF recommends that the Subcommittee delete the provision and require instead that states establish procedures for ensuring that parents of children born out of wedlock are advised at birth of their right to pursue paternity and of the procedures for doing so. Such a provision, coupled with the bill's other provisions designed to encourage paternity establishment, will significantly improve what have been abysmally low numbers of paternity establishments in the states.

Applying Guidelines

CDF generally supports the proposals in H.R. 1720 to require the use of uniform guidelines in states for setting child support awards and to require that states implement systems for automatically updating child support orders. We view the establishment of guidelines and their application important steps toward making child support awards fair and beneficial. Current child support awards (an average of $2,290 a year for court-ordered support in 1983) are too low to realistically meet children's needs. Yet in states where guidelines are in place and adhered to, they have increased the number and amount of equitable awards. Recent experience from New Jersey is encouraging.

- In 1985, New Jersey child support workers reviewed a sample of AFDC IV-D cases. Applying court child support guidelines to the cases, they found that the average support order of $20 per week should be increased to approximately $90 per week. New Jersey has sinced launched an upward modification project in effect in 18 of its 21 counties as of October, 1986. This project is designed to compare current IV-D support orders with state support guidelines, and to seek modifications of support awards when appropriate. Preliminary results indicate that application of the guidelines frequently results in dramatically increased awards.

We recommend, however, that the child support guidelines be accorded a rebuttable presumption, as the Administration recommends, rather than be required in each case as H.R. 1720 now provides. However well-drafted guidelines may be, in some instances the unique needs, resources, or abilities of the parties may mean that application of the guidelines would lead to an inequitable result. In those cases, the decision-maker would then be required to make findings on the record about why the guidelines should not apply in the individual case, why a departure from the guidelines is clearly in the best interest of the child, and how the court has arrived at its award.

If guidelines are to be applied in individual cases, it is also essential that the guidelines themselves they be reviewed and adjusted periodically (at least at three year intervals). We urge the Subcommittee to amend H.R. 1720 to require such periodic re-evaluations. Such a change complements the bill's requirement that states have in place a system for periodically updating support awards in accordance with the guidelines.

Expanding the Child Support Disregard

CDF strongly supports the provision to increase the $50 child support disregard to $100, and to expand its applicability. It is essential that poor children, including those on AFDC, see some benefit from child support awards collected on their behalf. The disregard, when first enacted as a temporary 15- month measure in 1974 (effective 1975) was then calculated as a percentage of the first $50 collected. It was then re-enacted as a permanent measure in 1984. According to the legislative history, it appears that the $50 base figure was chosen in 1974 because Congress assumed that the average child support payment was $50 per month. Given significant increases in the cost of living, and also increases in child support payments since that time (four years ago, the last year for which data is available, the mean child support payment was $195 per month), an increase in the amount of the disregard is most appropriate.

In order to ensure that families fully benefit from the disregard we suggest several improvements in the provision as included in H.R. 1720. First, the provision should be amended to clarify that a family would be eligible not only for the first $100 of child support collected, but for $100 for each additional month of current support that is paid on a timely basis but received in a lump sum. Second, we also urge the Subcommittee in mark-up to extend the disregard to payments on arrearages as well as to current support. Failure to apply the disregard to arrears not only denies children the benefit of the disregard, but also gives states an incentive to delay enforcement, since if they collect arrears in a lump sum they will not have to share with children the benefit of support collected on their behalf.

Third, we recommend that a provision be added to H. R. 1720 that will mandate the child support disregard for food stamps as well as AFDC eligiblity and benefit calculations. Currently states have the option of disregarding child support for food stamp purposes, but must do so fully at state expense. The failure to apply the disregard for food stamp purposes minimizes by one-third the benefit of the provision for AFDC families.

Addressing Management Problems

CDF strongly supports several of the management provisions in H.R. 1720 that we believe are essential if the 1984 Child Support Enforcement Amendments are to be fully implemented. The first is the establishment of time limits on specific child support related activities. Establishing such time limits is an important first step toward making the system work for clients. The time limits provide a measure against which to judge an agency's staffing and management problems, as well as a handle for compelling the agency to satisfy federal requirements. Similar time limits applicable to wage withholding in the 1984 Amendments have proven useful. With regard to the requirement that the Department of Health and Human Services (HHS) establish time limits governing how quickly a state must initiate child support enforcement services, we urge that the Subcommittee clarify that these limits apply to cases already withing the IV-D caseload, as well as to new cases, and require HHS to estalbish timelines for initiating enforcement of child support awards as well as for initiating establishment of child support awards.

We also applaud the provision in H.R. 1720 requiring states to establish automated tracking and monitoring systems (currently a state option) within two years of enactment of this Committee's bill. Functional recordkeeping systems are the backbone of an effective collection system. Yet over half the states do not yet have effective automated systems in place. A federal audit in South Carolina, for example, reported that lost child support files mean that the state cannot take any case action on three out of every ten cases. Without decent recordkeeping systems, it is folly to believe that mandatory wage withholding and other 1984 requirements can be fully implemented.

Certainly the challenges involved in better meeting the needs of poor children and families in this country are great. We believe that H.R. 1720 offers great promise in meeting those challenges. Thank you.

Chairman **Ford**. Thank you.

Mr. Quinlan.

STATEMENT OF PIERCE A. QUINLAN, EXECUTIVE VICE PRESIDENT, NATIONAL ALLIANCE OF BUSINESS

Mr. **Quinlan**. Thank you, Mr. Chairman, for the opportunity to testify. I am not sure I have an enviable task following Barbara and Marian, given their knowledge of the subject.

We certainly support your efforts to put a much greater jobs focus on the system. It is clear to us from the work that we have done over the last 20 years that welfare recipients clearly want to work but oftentimes lack the experience and the skills needed to compete in the job market.

I want to talk about your title I, and four perspectives on that title. First from the employer's perspective:

Employers really do have a stake with system, and this is part of the message that we have been giving to the employer community. Twenty years ago, when the National Alliance of Business was founded, a lot of the concern was based on a social concern, but I think that has turned now to where we are really talking about something that is a bottom-line concern to employers. Where we have a situation where employers can't find literate workers, where they are competing on an international basis; and when we have 25 percent of our young people dropping out of high school and a significant number of the ones who graduate do not have skills; employers are concerned about the kind of labor force we have now and are developing.

What we have been finding is that employers are increasingly concerned and understanding the need to work with the welfare system and committed to doing something about it.

So from that perspective, the goal of the Title I program of moving people to unsubsidized jobs require the involvement of employers in designing the training programs and providing the job opportunities.

One of the ways that this can be done is to have employers participate in the whole developmental process. If they are knowledgeable about the program, then I think that they will be much more interested in hiring graduates. Therein lies a concern we have with respect to the title I program. Private sector involvement is mentioned only in an afterthought sense in the context of serving on the optional State advisory council.

I don't believe, at this point in time with 10,000 volunteers that serve under the Job Training Partnership private industry councils, that this is an appropriate role. I think really we are talking partnerships now. We are talking about a partnership where all elements of our society have to work together. I think that it's important to bring the business community along, and in so doing that I think there has to be a way to connect the employers with the management of the programs so that we are not providing a great number of support services and education services that don't lead to jobs.

In one of my past incarnations I was responsible for the leadership of the Comprehensive Employment and Training Act from

1974 to 1977, and we saw the kinds of problems where there was a mismatch between employers and the programs. I think we have solved some of those problems. I think it is worthwhile to note that in some of those successful programs where the job training programs have been tied in to welfare training programs, such as in the Massachusetts program, there has been an extensive use of the private industry councils. That is also a facet of the GAIN program in California.

I think that from an employer perspective, you ought to get employers involved through the private industry councils that provide that involvement. I have some additional specific recommendations, when I mention the local level.

But first, going to the State level, I strongly would recommend State-level flexibility. We are working with a number of Governors who are trying to rationalize all of the duplication and overlap that occurs in employment and training programs. I think it is critical that we don't contribute additionally through this process to duplication and overlap.

The Governors are clearly taking a strong and aggressive role in coordinating their programs. Governors don't build roads any longer, their responsibility is to find jobs for their people. And that has really gotten their attention and they are concerned with duplication and overlap.

One of the things that I am concerned about is that as welfare agencies become much more employment-focused, that we don't add to that kind of duplication and overlap. We have at the State level a mechanism that I would like to talk about. We have a State job training coordination council which represents the whole spectrum of people in the State Government, in community organizations, and in the business community. In other pieces of legislation that are being considered now by the Congress, there is a strengthening of the role of these State coordinating councils, particularly to consider stronger business involvement.

So I would suggest that this legislation require that the plan be consistent with the coordination criteria that are established under the Governors coordination plan under JTPA. And that the State welfare plan relating to work activities be submitted to this council for review and comments. I think that this action will help the Governor connect the various kinds of training programs more effectively, so that given the Gramm-Rudman requirements and the dollar costs of this plan that were discussed by Mr. Miller earlier, we can demonstrate that our resources are being used most effectively and in a coordinated manner. That, in itself, is important to bring along the business community so that they think that the dollars that are being expended are being expended in the most effective way.

The rubber really hits the road at the local level, and there in particular I think it's important that the business community be involved so that training reflects the local economic conditions and that we don't reinvent the wheel, as so often can happen in some of the programs where one bureaucracy doesn't talk to another.

I would suggest that your legislation require submission of the job training aspect of the welfare plan for review by local officials and the business community which participate on the private industry councils.

Private industry councils really serve as a board of directors, if you will, for the various employment and training programs operating in the communities throughout the country. There are 623 private industry councils, and 10,000 business volunteers serve on these councils, as well as a cross-section of other people in the community. Presently, under the job training partnership programs, some 42 percent of the participants are welfare participants, and of that, 21 percent are AFDC recipients. So there already is a connection under JPTA, and it makes sense to us to continue to foster that connection.

Certainly, it is appropriate to have the welfare representatives serve on the private industry councils. The mechanism is there. It has the support of the business community. We have had reasonable success so far. Certainly not all of the private industry councils have done as good a job as they might. But I think, on balance, we have come from a situation where the jobs programs have not been well regarded publicly, to the point where they are well regarded, and I think we should build on that record.

The last items I have deal with whether you ought to focus on voluntary or mandatory participation. Our preference is to focus on voluntary participation so that you have those people that are most motivated participate in the program. That principle would go to the various kinds of subcategories that you are talking about in terms of work supplementation. I think there may be some benefits in work supplementation, but employers are just simply not going to want to work with people who are given to them in a mandatory way. I don't think that you are going to find the same degree of receptivity as you would with a volunteer.

Unless they are work programs analogous to those in the GAIN program in California, where you continually assess the individuals so that it is not simply something they stay in but rather it is a nonrecurring and nonrepeating sort of thing.

So I guess I would conclude, Mr. Chairman, by saying that I think there is a great deal of creativity in this legislation. It is needed. We need to have a productive work force now, and certainly between now and the year 2000. This relates not only to the individuals who are on welfare now but their children. What I would suggest is that we find ways to tie in the mechanisms that have already been demonstrated to be effective at both the State level and at the local level for involving employers.

I appreciate this opportunity, Mr. Chairman.

[The prepared statement of Mr. Quinlan follows:]

TESTIMONY
OF THE

NATIONAL ALLIANCE OF BUSINESS

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ON THE "FAMILY WELFARE REFORM ACT OF 1987" (H.R. 1720)

APRIL 1, 1987

Mr. Chairman, I appreciate the opportunity to discuss the views of the National Alliance of Business on the proposed Family Support Program.

My name is Pierce A. Quinlan, Executive Vice President of the National Alliance of Business. The Alliance has worked to promote job and training opportunities for the economically disadvantaged for 19 years. We are the only organization led by, and representing, business in the specific areas of job training, employment, and human resource development for the nation's unemployed and disadvantaged. Our experience in working with both private sector employers and publicly funded job training programs provides us with a unique perspective on the subject of these hearings.

The Alliance strongly supports your efforts to transform the welfare system into a jobs system. Welfare recipients clearly want to work, but too often lack the education and skills needed to compete successfully in the job market. Our experience with programs operated under the authority of the Work Incentive (WIN) program and the Job Training Partnership Act demonstrates that these deficiencies can be overcome, and welfare recipients can, with some help, make the transition from dependency to self-sufficiency.

Employers have a big stake in the success of these efforts. When the Alliance was founded nearly two decades ago, private sector interest in the disadvantaged was based mainly on social commitment. Since the late 1970s, however, the interest and involvement of private sector employers in the problems of the disadvantaged has broadened substantially, due in large part to a growing concern about the lack of literate and qualified applicants to meet increasingly complex job requirements. The slowing of labor force growth that the nation has been experiencing for several years, and will continue to experience for several years to come, restricts the ability of employers to fill job vacancies. Unless a concerted effort is made to increase the education and job skills of available workers, productivity could be impaired and economic growth could be undermined. Employers are beginning to understand this problem, and are increasingly committed to doing something about it.

Mr. Chairman, before the Subcommittee begins to mark up this bill, we would like to call to your attention several issues of vital interest to business. We restrict our comments to the new work program contained in Title I of the bill, since we believe that it is the critical element in welfare reform.

If the goal of Title I is the movement of welfare recipients into unsubsidized jobs in the private sector, the cooperation and involvement of employers in designing training programs and providing job opportunities are essential to its success. We believe that employer participation in this program can be generated and maintained if the legislation provides a meaningful role for business. Alternatively, past experience with employment and training programs suggests that if employers are excluded from the preparatory stages of planning and program design, they will be neither knowledgeable about the program nor interested in hiring program graduates.

Business Involvement

One issue concerns the need for business involvement in the new welfare to work program. As currently drafted, the proposed legislation virtually ignores this critical determinant of program success. Although private sector employment is the most desirable outcome for program participants, the private sector is mentioned only in the context of serving on an optional state advisory council.

This role is no longer appropriate or acceptable. During the past decade, private employers have moved beyond a limited advisory role to become full partners with the public sector in all aspects of local employment and training policymaking, planning, administration, and program operations. This policy is based on the need to harness private sector expertise, resources, and support, as well as the need to tailor publicly financed programs to local economic realities.

Since the success or failure of the proposed program hinges on whether local employers will hire program graduates, it is only common sense to give employers some ownership in the program by making sure that they have a meaningful role in program planning and oversight. Unless local employers are satisfied with the quality of the program and its graduates, it is likely that they will look elsewhere to fill job vacancies. In addition, employers are the best source of information on what job skills are needed in particular industries or occupations, and their knowledge of local labor market conditions can help inform program design, training content, and necessary support services. Meaningful business involvement can improve program efficiency and effectiveness, and can significantly increase the chances that program participants will ultimately become independent from public assistance.

It was for these reasons that Congress mandated a business majority on the private industry councils established in every community under the Job Training Partnership Act. It is also why the Massachusettes "ET Choices" program makes extensive use of local private industry councils, and why the public-private partnership concept is being applied in the California GAIN program and numerous local welfare to work initiatives.

State Flexibility

A second issue concerns state flexibility. Over the past several years, individual states have been struggling to reshape their delivery systems to meet their employment and training needs. A major thrust has been the coordination, and in some cases integration, of related human resource development functions within the state, often achieved through a state-level strategic planning process that addresses a broad spectrum of state programs. The key players have been the governors, who are in a unique position to fashion a rational system through their authority over state administrative agencies.

Decades of categorical federal legislation have left states with a patchwork collection of narrowly targeted programs that lack vision and a coherent policy framework. State education, job training, economic development, and human services agencies operate in relative isolation, despite their mutual interests and their combined effect on the state's economy. We are concerned that the transformation of welfare agencies into "jobs" agencies will add to the duplication and overlap that already exists in nearly all state employment and training systems.

The requirement that state welfare agencies administer the proposed welfare to work program could impede progress toward integration of human resource development functions. States that are operating effective welfare to work programs currently employ a wide variety of program structures. We strongly recommend that discretion be left with the governors to designate the appropriate state agency to administer the job training component of this program.

To promote effective strategic planning for human resource development, this bill should give states the option to utilize existing structures to oversee the new job training component. For several years, states have been attempting to consolidate separate advisory councils required in numerous pieces of federal legislation. We recommend that the planning process include the state job training coordinating councils that currently exist in every state. The legislation should require that the plan be consistent with the coordination criteria specified in the governor's coordination and special services plan required under the Job Training Partnership Act. The legislation should further require that the state welfare to work plan be submitted to the state job training coordinating council for review and comments. The current JTPA legislation already requires the state council to review the plans of all state agencies providing employment, training, vocational education, and related services and to provide comments and recommendations to the governor, the state legislature, the state agencies, and appropriate federal agencies on the relevancy and effectiveness of these services. Title I of the proposed bill should reference that responsibility.

State plans for this program would likely, at a minimum, assign welfare agencies program responsibility for conducting initial assessments, developing employability plans, negotiating mutual obligation contracts, referring clients to appropriate education or job training activities, and providing ongoing counseling if necessary.

These activities, by themselves, would represent a major break from current welfare agency activities.

Local Coordination

Another issue concerns the need for effective coordination of services at the local level. Local planning is needed to take into account variations in economic conditions, employer and client characteristics, and resource availability. The legislation should require the agency administering the local welfare to work program to develop a plan that would describe what services will be provided, who will provide them, how performance goals will be attained, and how the coordination criteria in the governor's plan will be met.

There is always a danger that local program administrators will "reinvent the wheel" to avoid giving up control over their new responsibilities. Since the education and training services needed by welfare recipients are presently being provided in most communities, using program funds to provide alternative facilities or services would lead to unnecessary duplication of effort and waste of scarce public resources.

To facilitate coordination, the legislation should require submission of the job training and placement components of the local plan for review by appropriate local elected officials and private industry councils, established by JTPA. These private industry councils function as local "boards of directors" for employment and training programs operating in every community across the country. Their membership includes local employers and representatives from education agencies, organized labor, economic development agencies, rehabilitation agencies, the employment service, and community based organizations. Since the private industry councils are required by law to serve welfare recipients, their involvement in this new welfare to work program would be an appropriate addition to their existing statutory responsibilities.

The private industry councils have much to offer the new work program. They already are established in every community and provide a ready-made institutional partnership with the private sector. The councils have several years of experience designing job training programs for welfare recipients and have identified the effective providers of job training services in each local labor market. Finally, they are uniquely equipped to ensure that the content of job training matches actual labor market needs. For these reasons, the legislation should specify that no funds will be made available to any local program for training unless the administering agency and the private industry council reach agreement on the content of the job training component of the local plan. We would also recommend that the local agency(ies) operating the welfare to work program be required to submit necessary information to the private industry councils regularly on work preparation activities so that the councils can provide valuable oversight to the program. We support required representation by welfare agencies on the private industry councils to facilitate this process of review and coordination.

Voluntary vs. Mandatory Participation

A final issue concerns eligibility. We support the bill's emphasis on voluntary participation, since employers seek, and work best with, motivated employees who are more likely to be found in a voluntary system that offers real opportunity. However, this emphasis is diluted by introducing other objectives into the eligibility requirements. We suggest that the bill make a clear statement that first priority be given to volunteers, then participation can be mandated if sufficient resources are available to the state or locality. If there are sufficient incentives for recipients to participate, and work is more profitable than welfare, they should enter the program on their own. The desire to focus resources on long-term recipients and teenage parents can best be achieved through the use of performance incentives for improved services to these important groups.

We have the same problem with proposed changes to the Work Supplementation program, where there appears to be an emphasis on mandatory participants. The language that conveys this impression should be deleted. Employers will not want to commit their time and resources providing on-the-job training to employees who don't want to be on the job to begin with. Work supplementation is a promising approach to reducing welfare dependency, but emphasizing mandatory participants is the quickest way to turn off potential employers and render the program ineffective.

For similar reasons, we cannot support spending public funds on Community Work Experience (CWEP) programs, particularly if such expenditures preclude the provision of meaningful opportunities for education and training. However, we do support the authorization of limited-duration, nonrepeating work experience opportunities for voluntary participants who have already received other services, but have failed to secure an unsubsidized job.

Economic Mainstream or Backwaters?

Mr. Chairman, there is strong possibility that if the legislation were enacted in its present form, the nation could expend considerable time, effort, and public resources on educating and training welfare recipients for jobs that don't exist and might never materialize. The bill rightfully devotes considerable attention to the rights and needs of the program participants, but fails to adequately balance participant needs with labor market requirements. We feel that our recommendations strengthen the program's ability to meet participant labor market needs and, in doing so, expand opportunities for welfare recipients to move from the backwaters into the mainstream of the economy.

In order for welfare recipients to compete effectively with other individuals in the labor market, it is important that they be indistinguishable from other public program participants. Separate employment and training programs for welfare recipients, run by welfare agencies independent from other related public employment and training efforts, are inherently limited in their potential. Participants in such programs, if stigmatized, would remain at a competitive disadvantage in the labor market. However, if public employment and training efforts could be successfully coordinated in a way that blended welfare recipients with other public program participants, the employment prospects of welfare recipients could be enhanced considerably.

We firmly believe that any welfare to work program that effectively coordinates its efforts with other agencies and provides a meaningful role for the private sector will significantly improve the chances for program success and thereby expand employment opportunities for welfare recipients.

Mr. Chairman, I would be happy to answer any questions you may have.

Chairman **Ford**. Thank you very much, Mr. Quinlan.

Ms. Edelman, you said, "Don't go cheap when you talk about child care." In H.R. 1720, we provide $200 per month for children under the age of 2, $175 for those who are over that age. In that same conversation, you said, "Well, look, let's not use the band-aid approach in trying to address the welfare problem with the welfare population."

We have received some cost estimates from CBO. Over a 5-year period, H.R. 1720 is going to cost about $5 billion, from what we have already received. I do not think that we have received all of the numbers yet on H.R. 1720, and when we talk about increasing child care—and child care is one of the areas that run us up to the $5 billion over a 5-year period—as chairperson of this committee and one who supports overhauling the welfare system, I certainly would like to strengthen H.R. 1720 in areas other than child care.

But we have heard a lot of talk, and you have been very instrumental in having us draft this bill and putting components in this bill, and I too would like to see all seven titles of this bill implemented into law or signed into law.

How do we "don't go cheap in child care"? How do we approach this? With our budget restraints, how do we approach this package in trying to adopt all provisions into the welfare reform overall?

Ms. **Edelman**. Well, I guess I would like to try to answer, though a lot of people may not like the answer. I would start off with child care, which I do believe is one of the most cost-effective of the investments that you can make here. And I like to think of it as a double investment: it's an investment in preventing those babies from becoming the welfare mothers at 18 that we are now trying to get off the rolls; and as a second investment it is trying to help those mothers get into training and get into jobs and get off the rolls; so in terms of a double-whammy for one's money in terms of building self-sufficiency, it's important.

Second, while I again understand the fiscal constraints in which the Chair has been working, I also recognize that we are talking about a 5-year phase-in here. I would like to emphasize that I think it is important, as you have done, to set a direction and to set some goals and then to move incrementally, trying to bring along the pieces as we proceed. In doing this we must focus on the kids and what we are trying to accomplish, both in terms of preventing future welfare as well as getting people off the welfare rolls. Again, such an approach keeps child care central. Child support provisions are also critical. Again, if you put in some money now and it makes the system work more effectively, you will get more of a parental contribution later. So I just think you have to look at the different pieces and put some downpayments on all of those pieces as you proceed. You have to look at it incrementally.

Third, I think this Nation is going to have to come to grips, though, sir, with some very basic priorities. You know children didn't cause this deficit, and hurting children further is not going to cure this deficit. I would like to see us begin to apply the same standards of efficiency and cost effectiveness to some nonchildren's programs as we always seem to pull out when we're trying to help kids and the poor.

Yesterday's Washington Post was terrific. I think you ought to look very closely at whether you give more money to patch up the mistakes of the B-1 bomber and think about how many of those B-1 bombers—which are demonstrably falling apart—are not doing what we intended them to do and whether or not a better investment might be made here.

I think we ought to look at the corporate welfare available for very wealthy farmers out in California to see whether that is a better investment in terms of building the work force of the future and increasing our productivity than investing that $2 or $2.5 billion here in kids.

You know we are debating a possibly trillion-dollar Star Wars system at a time when we're saying we can't afford to put some basic decency under our poor kids.

You know we're going to have to deal with the revenue side and we're going to have to deal with the priorities side, but again the point that I think has to be made over and over again is that this Nation needs every child now to be productive. Children are as essential to the national security as a lot of the other money that we're putting over there, and there is just not going to be any way to get around that.

I think, looked at in that context of investing in the future, investing in self-sufficiency, and investing in education and basic skills—and you are not trying to do it precipitously—that you are talking about a very careful, modest phase-in. I think you can, as you already have, make a case for why this package is more cost effective than many of the other things that we are doing.

Chairman **Ford**. There has been a lot of talk on this committee, and you heard Dr. Miller earlier talking about his GROW program and the fiscal restraints that we are plagued with here in the Congress, if we were going to prioritize in H.R. 1720—and some of our colleagues on this committee have already talked about benefit improvements and talked about the intact two-parent family provision being mandated—that, "Maybe we ought to wait. Let's go with the Network program or something similar to that and get work, education, and training out front, and let's take a look at it 2 or 3 years down the road and see whether or not we are saving any dollars and then come back maybe to institute the two-parent family provision as well as the benefit improvements."

I am not an advocate of that at all. We will have this before the committee tomorrow in the markup. We will have to debate the issues starting tomorrow with members of this committee. Hopefully, we can convince our colleagues on the minority side of this committee that these are the improvements that we should make in the welfare system.

But what are some of those other arguments that we ought to make?

Ms. **Edelman**. Well, but it seems to me you have anticipated some of them. Again, nobody is talking about all $5 billion worth of potential expenditures next year. You are not even proposing to phase in the AFDC-UP program until fiscal year 1989.

You don't have to reach the benefit levels all at once. You are not planning to. And even in the end it is an exceedingly modest benefit level. You have States bringing their standards of need up now and then set some goals that will get them someplace in 5 years. You have already taken a very modest, I think responsible, phase-in approach. In the way in which you have written this, you have allowed yourself a flexibility that recognizes the difficult budget constraints of the coming year.

I would just urge you to stick with that approach—to put enough into child support to make the systems work effectively to encourage more parental contributions, to keep your phase-in of UP in 1989, to have the States reach some different standards, set some different goals, and move towards it all in 5 years.

I think in the way in which you have designed H.R. 1720, you have allowed yourself ways to responsibly fill in without sacrificing essential pieces. There has got to be some investment in the training and in the content of that training. But you can't have that unless you have the Medicaid and the child care in place.

So I think that you have got the flexibility within your phase-in approach. All I would say is that I hope you will figure out what mix of these different pieces you can take within the constraints that I know you have to deal with in the budget for this year. But let's head in the right direction and get there step by step.

Chairman **Ford**. We had a commissioner from the State of Florida testify before the committee earlier this week. He indicated—and I think one of the delegates from the State of Virginia also indicated before this committee—that the benefit enhancement and the two-parent family provision are things that they would accept provided the Federal Government would pay 100 percent of the costs.

Ms. **Edelman**. Of course.

Chairman **Ford**. There are 18 States that pay low benefits in this Nation, and we are going to find that we will run into some strong opposition in the markup session coming from these States. Should the Federal Government pick up the total cost of the two-parent family for these States which have not opted in, which is a total of about 24 States that have not opted into the intact two-parent family?

Ms. **Edelman**. Now, I don't have my directions from my staff on this one. My instinct is that we are not trying to be unfair to the States that have already done AFDC-UP without that incentive. I think there is a real fairness issue here, and I think that one should apply the same kind of match to new States that we have been doing in the past.

Chairman **Ford**. I mean, the question is whether or not we should have, for the two-parent family or the benefit enhancement, should we take a closer look to say that the benefit improvements are needed and the family stability of the two-parent family is needed and therefore maybe we ought to write into this legislation to say that even if at the cost to the Federal Government for the first 3 to 5 years, that we pick up the cost?

Ms. **Edelman**. No, Mr. Chairman. I think again we have got to come back and keep some balance between all of these provisions because we do need the benefit enhancement and we do need to set some goals and move toward them. We do need UP, but the States have got to bear their reasonable burden of responsibility because otherwise you would create serious inequities among the States.

Here again I just sound like a broken record, but you've got to figure out what mix of all these pieces we can move along with. So I think that the way in which you have already crafted the AFDC-UP provision, with the phase-in period and the match I think is appropriate. But we would like to have you go ahead and do that while moving toward some reasonable benefit standard. It can be done in a way that this year may allow you not to have any cost expenditures, other than requiring States to look again at their standard of need and to set some benchmarks.

Chairman FORD. Florida indicated that it would cost them $40 million if we had the benefit improvement provision and the UP, two-parent family program, enacted into this welfare reform package. Some States, States such as Texas, which has been hit with the costs of the oil crisis, Louisiana also with low benefit payments, would have additional costs too.

Ms. EDELMAN. Listen, Texas didn't do good when they were not having an oil crisis, and they have been outrageous, it seems to me, in the past. Even when being a very rich State, they had extremely low benefits. So I think that they should also be pushed in the future to move toward some direction, with a fair State contribution. I don't see why Texas should be treated differently from a number of other States.

Chairman FORD. Ms. Blum, would you like to respond?

Ms. BLUM. Well, I want to concur with one point that Marian has been making throughout her earlier remarks, and that is that somehow we have got to find a way to keep these components together. The biggest trap, it seems to me, is that we will move with just something like NETWork, which is very important but alone will not succeed.

The Governors got themselves trapped, it seems to me, immediately after coming forward with their wonderful statement on a comprehensive program. They now expect savings to finance benefit increases.

We are not going to see real savings for some period of years from our work programs, and we should know that. And the more modestly those programs are funded the less savings we are going to see. So we have to target very carefully.

The important thing is to get that message out that in this particular era, a family really needs two incomes. We need that male's income, and the child support section is very well developed. We need to be certain that women are prepared to supplement the male's income, because otherwise no family is going to have sufficient income. With those two pieces in place, politically one can maneuver some modest increase in benefit, which to me is the most critical thing.

I just absolutely think this income question is something that must be addressed, that these children are simply getting into school not able to function because we are starving them and we are not housing them. And we had better know that this is what we are doing. In New York City we are doing it to 30 percent of our children. It is terribly important that benefit increases move as a first step this year.

Chairman FORD. Thank you.

Ms. Kennelly?

Ms. KENNELLY. I will keep the scenario going, Mr. Chairman.

Say we make every attempt to do what Marian has urged us to do: do a little piece, another little piece, a down payment. The chairman mentioned that he doesn't know where our other party is at this point. We don't know where some of our own members are as far as the numbers go and how we can put the votes together.

So we have made a certain amount of progress. We get into the room, we are here, we put some votes together. But on child day care, we still have the $175 and $200 figures. And Harold and I can't move anything. Can the Children's Defense Fund continue to support the bill if those are the figures that we have?

Ms. EDELMAN. Well, before we get to that point, though, we want to see how much we can help you work your members.

Ms. KENNELLY. You are never at a loss for anything. [Laughter.]

Ms. EDELMAN. No. But again I think that there is a growing recognition now about the importance of child care among a growing constituency, including the corporate community. I think that we are not in the same place as we were on child care 4 or 5 years ago in terms of understanding the importance of having it and the importance of the quality, that bad child care is often as bad as no child care.

We will face your original question when we come to it, but that is after we've done a lot more work than I think we have done so far.

Ms. KENNELLY. Marian, you have given us two figures: $250 for the infant and $225 for toddler care.

Ms. EDELMAN. Right.

Ms. KENNELLY. You have given us those figures.

Our bill has $175 and $200.

Ms. EDELMAN. It's a step forward.

Ms. KENNELLY. Now, at least would you give me a middle figure?

Ms. EDELMAN. Helen will kill me if I do that today. Really, $3,000 is about right.

Ms. KENNELLY. Just highlight where we are, though, when you sit there and say, "Put a little down payment here, here, and here, do all the titles." These situations are going to come up.

Ms. EDELMAN. Our real preference is there be no cap on child care. We would like to see it more open-ended than the bill is. But you have made a significant step forward. We view the $3,000, which is not a far-away figure from where you are as our middle ground. It is the average cost of what it seems to take to provide some minimally decent child care. But we will go back and talk about it and we will give you an answer.

Chairman FORD. Would the gentlewoman yield?

Ms. KENNELLY. Certainly.

Chairman FORD. We have been told by the full committee chairman that the welfare reform package should stay within a ballpark of about $2.5 billion over a 3-year period. But this bill is estimated to cost about $5 billion. And I am sure there are some other costs that we have not been able to put in place yet.

Ms. EDELMAN. That's right.

Chairman FORD. I think the reason Ms. Kennelly is raising the questions is that tomorrow, when we move into a markup session, we will have to confront members on this side of the aisle and we will also have to confront our colleagues on the other side of the aisle. I would like to see the $3,000 placed in this bill, but we are going to be faced with these budget restraints as we move this bill to the full committee.

Ms. Edelman. I hear you.

Chairman Ford [continuing]. We are going to have to make some tough decisions in the coming days. We anticipate reporting this bill 1 week from tomorrow to the full committee, and I would think that we could report a bill out with the $5 billion price tag, but I think that this committee should make some of these critical decisions as they relate to what will remain in this bill.

We are going to fight for all seven titles of this bill, not only here at the subcommittee, but at the full committee level as well. We know that a majority of the members on this committee have already signed on this bill. There is a majority of the full committee members on this bill, and we are going to continue to keep everything intact. But being realistic at this point, we are going to have to take a close look at the fiscal impact of the bill itself.

Ms. Edelman. Mr. Chairman and Mrs. Kennelly, we hear you and we are willing to caucus and to try to come up with ways in which we can be helpful. I guess the only other thing I would point out in the child care area is the fact that there is a relationship between expenditures on child care and the mandatory participation requirements in your bill. To the degree that you are talking about voluntary participation, that is a way of obviously phasing in your child care costs as well.

But I would like to have us go back and caucus and see if we can't at least come back to you with some firmer views rather than doing it off the top of my head right now.

Chairman Ford. Now, I am not saying that Mrs. Kennelly's in-between number, I don't think we have a problem with the $3,000 annually. Should we go with an increased dollar amount for child care and maybe delay—put in place but delay—the time on the benefit improvements? We are talking about 15 percent of the median income. You have suggested in your testimony today maybe 25 percent of the State median income. Should we say that States should have 8 years in order to reach the 15 or 25 percent, and go with the $3,000 that has been recommended or suggested by you?

Ms. Edelman. You are going to get me in trouble with my staff. Let me tell you what my instincts say at the moment. First, I obviously think that you get a double-whammy for your investment in child care, and that is clearly a place where I would not cheat in terms of quality. You just can't fool around with those things if you are really serious about building children who are going to do well in school. And that does argue for voluntary participation so that you can phase in the expenditures over time. I would rather keep high quality child care and have fewer mothers participate as a way of phasing in the expenditures.

Second, yes, I would delay increasing benefit levels if we set some goals that are viable goals and have the States look at their standards of needs and phase in the benefit increases over time. But we do have to make some commitments and statements about where we are headed and set some reasonable period of time within which to get there. Obviously, I would opt, if we were going to wait longer, that we then go higher. But I think that there are ways of phasing in that benefit level, and the benefit is critically important.

Third, you have already phased in your UP requirements. And fourth, the child support provisions represent important steps and are not overwhelmingly expensive.

So I guess if you take those four, then I hope that there is some significant money left over for employment and training and beginning to move mothers off the rolls.

But I think that the ones that are most acceptable to phase-in are the benefit level and the mandate on training and work.

Ms. KENNELLY. Marian, could I ask you to put something else on that caucus agenda? You began your remarks with the very real observation about how you and Mr. Miller would not accept some of the things that were said here this morning—and there are a number—and there is no doubt that there is a possibility or is right now a two-tier system.

Ms. EDELMAN. Right.

Ms. KENNELLY. Well-off children, and poor children. Would you put on that agenda something we could do in this bill to avoid that two-tier system? And there have been some suggestions that I can't go along with, but maybe there are some others that we haven't put in yet.

Ms. EDELMAN. Well, again, I think that I am torn, Mrs. Kennelly, because obviously we have to avoid a two-tier system. And the way in which you can do that for children is again not having a two-tier system of child care. That is the place where we can make a beginning in ensuring some minimum level there.

I also don't think at the moment I would want to have you go further just because I don't want to load this bill down with more issues. If you can just do and hold what you've got and move ahead with that, that is a significant contribution and a move in the right direction. The critical area is to try to help people see that Mr. Miller's kid in day care and my kid in day care are no different from the other poor kid in day care who needs that day care more because he or she don't have educated parents at home to provide that stimulation. That is the first place where you can make a beachhead, and that is very important.

Ms. KENNELLY. Just one last question, Mr. Chairman.

Mr. Quinlan, you were talking at the very end, referring, I think, to workfare.

Mr. QUINLAN. The supported jobs activity. We would feel that to the extent that you were going to include that activity, it should be done on a limited time basis so that you are continually reassessing the individual and running them right back through the opportunity for job search, and seeking unsubsidized employment.

Ms. KENNELLY. I would like you to expand from your point of view, the business point of view, a little bit. We've had people from the administration, other representatives of commerce coming in here suggesting that we use workfare as a payoff of a benefit. The other extreme is that we have had very responsible testimony from unions and other people saying that please don't use it, it's just a way of moving people around.

What do you think is the value of workfare in the work world, or do you see any value of workfare at all?

Mr. QUINLAN. I think, frankly, it has limited value. I am not a subscriber to extensive public service employment, based on some past sad experiences. It is a situation where if you do get some limited benefits, your real payoff is to cycle back into some sort of training to deal with the problems that keep an individual from going into unsubsidized employment. Basically, our position is to go to unsubsidized employment. If it means that there has to be a way station in some sort of work experience, so be it. We don't think that work experience should be used without any kind of limit.

Ms. KENNELLY. And you could help us because I am a former city official during the CETA days. I know all about it. I know what happened. But what we didn't have and why we won't go into CETA programs is that we don't have—and let me be very frank—is the ability of many employers to have the patience during that timespan where people really do get used to working. That could be when they're in a real job, and some of our clients just take a little longer because of all the upsets they had earlier in life.

What I would appeal to you for is, when you go back to your business groups, to say, have patience, I'll tell you, I am no advocate of workfare, however, I know there is a period there where people have to have an incredible amount of patience to get on the track.

Mr. QUINLAN. We would say in that context, that is an appropriate thing for people to do.

Ms. KENNELLY. Good. Thank you.

One last question. We are constantly getting Manpower study testimony to us that all this emphasis on work and training, preparation for work, has such a small amount of progress that we shouldn't be doing it, say, in our Network. How do you answer that? We have had Manpower used against us continually in these hearings.

Ms. BLUM. I am not certain that I understand what you want me to respond to.

Ms. KENNELLY. MRDC studies.

Ms. BLUM. Right.

Ms. KENNELLY. They have been used to say that the results of intensive job preparation are so small that we should not go further with a program like Network with emphasis on education and training. Manpower studies are being constantly used.

Ms. BLUM. Yes. I very much regret that, because I think that those studies have shown improvement in movement into the work force in every single State, even Maryland, where the findings were most modest.

One of the problems, it seems to me, is that when we are dealing with very complex problems, we somehow expect immediate solutions. The exciting thing about the demonstrations and the evaluation of those demonstrations at the State level is that the results are consistently positive. Those results occurred with no additional resources. In fact, States, because of WIN cuts, often had reduced resources.

So it means to me that if we can build State capacity and we can get some more resources in, we could see a significant shift in the welfare population.

I have now been at a number of conferences myself, and today with the Director of the Budget, hearing MDRC findings being misused.

Ms. **Kennelly**. I just wanted to get this on the record.

Ms. **Blum**. Absolutely. We have got good news, and we should use it.

Ms. **Kennelly**. Barbara, don't get me wrong. What the studies are saying is there is a 5-percent or a 7-percent increase of people going into a real job.

Ms. **Blum**. Right.

Ms. **Kennelly**. I know that and you know that. But those 5- to 7-percent are being used against us, saying, "That's too little; therefore, we shouldn't spend the money."

Ms. **Blum**. Right. And we somehow expect in a 3-year period, when we had major cutbacks in WIN, to have larger results. I think a 5- to 7- to 12-percent increase is just phenomenal in this system under those circumstances.

Ms. **Kennelly**. So do I.

Thank you very much.

Chairman **Ford**. Mr. Downey?

Mr. **Downey**. Mr. Chairman, I am sorry that I missed the witnesses. My guess is that I probably agree with them to begin with on what they think of H.R. 1720, and I would ask them the shopworn question that I ask everyone: how do we justify the fact that we have SSI benefits for the elderly that are so radically different than we do for children?

Chairman **Ford**. I must say on behalf of Ms. Edelman that she has already proposed that we would take it very seriously.

Ms. **Kennelly**. Say it again. They can't justify it.

Ms. **Edelman**. No justification.

Chairman **Ford**. It's on the record now. [Laughter.]

Ms. Edelman.

Ms. **Edelman**. Well, you can't justify it. And indeed, you know, we would argue that it makes a lot more sense for the Nation at the moment to invest more in kids so that you can indeed eventually reduce the welfare rolls that we all don't like. So I think not only can you not justify the lower benefits, but it is compelling that we not do that, but that we begin to put the money in benefits so that we can begin to build self-sufficient young people.

Mr. **Downey**. Well, I agree with you, it's not justified. If this bill has to drop part of the minimum benefit to do the other things, you would say go ahead and do these other things?

Ms. **Blum**. I wouldn't. I think that we vary a bit. I think the minimum benefit is the adjustment that is most important. I would target day care and limit the number of individuals working in NETWork before I would negotiate away the change in minimum benefit that is proposed.

Back when this administration was beginning, we had to make a lot of cuts in New York State. I did a lot of traveling around the State to talk to groups. I was appalled when I did my initial analysis back then in 1981 at what was happening with Social Security. I really do care about older people, so I don't want that misunderstood. But looking at the fact that just the Social Security indexing was consuming so many millions of dollars, and we were looking at SSI increases still coming along at that point in New York State, I made it a practice whenever I was in front of a group, many of the groups having older citizens as part of the audience, talking about the inequities.

The thing you pick up from such audiences is that they are not really aware of these inequities. We have done a pluperfect awful job of getting the message out that we have got all this differential. I found many older people talking about the fact that there really did need to be something done.

There are some groups on intergenerational now at work. Maybe that work has to be accelerated. But we are going to have to get a public understanding out there of what it is that all of us are concerned about.

Ms. **Edelman**. First, the elderly now have a self-interest, as does the rest of the country, in investing in children early on because by 1995 only 16 percent of our population is going to be between 16 and 24 years of age. As I get older, I worry about who is going to be supporting me. I think therefore that it is in the self-interest of elderly persons as it is in the corporate self-interest to begin to invest in children earlier.

Second, I want to be clear that I am not proposing to drop the minimum benefit level. In fact, I would like to increase the minimum benefit target over what this committee has been able to do. What I am more fluid on is how one would phase it in.

But I think that the minimum benefit level is one of the most important principles you can establish this year. By establishing it and having a benchmark that we may move toward modestly as we put more money into the training and the child care this year seems to me a more viable approach.

Mr. **Downey**. Well, the chairman has given me the enviable task of trying to work with some of the other members of the subcommittee to try to look at the minimum benefit. One of the ideas that I have had—and Harold and I don't disagree, and I don't disagree with you—getting toward a minimum benefit, a higher minimum benefit, is very important to me. But we are going to run into serious opposition in trying to increase benefits in the States which we mandate here with UP and Medicaid, and not offering them some sweeteners.

If you start off with the idea that poverty is a national program, then there are national responsibilities attendant with it. What I would like to do, for instance, is take a look at the idea of increasing the match rate on AFDC 1 percent a year over a long period of time so that New York, which pays 50 now, New York would get 51 percent for AFDC, and part of that increase would have to go back to the individuals who are recipients in the form of higher benefits.

But that makes to me more sense than attempting to say, "We want you to do more, and we're not going to give you the money," because they are having difficult doing what they're doing now; that is the first thing, and then to say, "We want you to do more, and then at the end of five years or six years we are going to require it, and if you have been responsible," basically, the bill says, "we will help you out."

Now, if that's what it comes down to, I will defend that to the death. I just don't think we are going to be able to do that.

What I would like to have you do in the next couple of days and weeks as we work through this——

Ms. **Blum**. Days.

Mr. **Downey**. Days. Hours. [Laughter.]

What I think we need to have you do is think through this process with us. It is important to me, although I must admit after the testimony of Mr. Miller, it appears to me that almost anything we do is going to be unacceptable to the newly powerful President in terms of whatever we do, which is a shame.

I am musing out loud. I mean, I have absolutely no disagreement with the goals and objectives of your organizations.

Ms. **Edelman**. After hearing that same testimony, I think that it is going to be very difficult to get a bill that is acceptable to the administration. But I think that you should just lead and do it.

Mr. **Downey**. Yes.

Ms. **Edelman**. It is more important to do something that is worth doing than to do something else that is not worth doing in order to get to report a bill.

Mr. **Downey**. I agree. I agree that we should do something, and we should do something even in the light of a veto. But from a purely partisan point of view, I loath the idea that we are going to work very hard and spend lots of hours compromising and then wind up and have this President suggest that we want to expand welfare rolls, and miscategorize everything that we attempt to do, and then veto it, and then have nothing.

Ms. **Edelman**. But, Mr. Downey, taking a longer view, I think that the country is changing. I think people are out there who are listening now who haven't listened for a long time. I think that the cost in neglect has begun to catch up with folks. Again, I think that by trying to frame the debate in an accurate and thoughtful way, even if we lose this year, we're going to win better next year. And again I think that you do have a growing constituency. We can make our case better.

But I guess I would just urge you not to be discouraged by the possible threat of a veto. I think that a lot of us are going to be committed to doing a lot more to make the case out there. I think that that case can now be made, and I think that the country is much more receptive than it has ever been.

Mr. **Downey**. Thank you.

Chairman **Ford**. Thank you very much.

The next panel is the Honorable Hilda Pemberton, members of the Work and Welfare Reform Task Force of the National Association of Counties, also the Chair of the Prince George's County Council; the Honorable James Scheibel, the chairman of the Human Development Committee, the National League of Cities, and city council member in St. Paul, Minn.

Mr. Downey, if you would be so kind as to take the chair for a moment, I shall return immediately.

Mr. **Downey** [presiding]. The chairman has asked me to continue the hearing.

Without objection, all of your testimony will be placed in the record in its entirety, including this addendum from the National League of Cities, "Poverty in America: New Data and Perspectives."

Ms. Pemberton, if you would begin first, summarizing your statement, we would be pleased to hear from you at this time.

STATEMENT OF HILDA PEMBERTON, MEMBER, WORK AND WELFARE REFORM TASK FORCE, NATIONAL ASSOCIATION OF COUNTIES, AND CHAIR, PRINCE GEORGE'S COUNTY (MD) COUNCIL

Ms. **Pemberton**. Thank you very much, Mr. Chairman. My name is Hilda Pemberton, and I am chair of the Prince George's County Council in Maryland. I also chair the youth subcommittee of NACo's steering committee, and today I am here representing as a member of the NACo's work and welfare task force. Let me thank you for the opportunity to testify on your House bill H.R. 1720, the Family Welfare Reform Act of 1987.

Let me also commend you on introducing a bill which addresses many of the current problems with today's welfare system. At our summer convention in 1986 our president, John Hortsley, thought that this was an important issue and named a task force to review and analyze the welfare reform issue.

On that task force as members were elected officials, directors of social services departments, and employment directors. The task force was made up of Republicans and Democrats, conservatives and liberals. So our testimony today will be a composite of all of those people.

H.R. 1720 gets to the heart of what the task force recognizes as a problem, and that is that many families and individuals in poverty need assistance to make the transition from dependency to self-sufficiency. NACo has long been on record in calling for a work security job program for persons able to work and a simplified, equitable income security program for those persons unable to work.

Over the past few months, our task force has met over long weekends and has heard testimony from congressional staff members, from the administration, from public interest groups, and from former and current welfare recipients.

From this broad range of ideas presented to us and from the discussions of our task force, we have developed a position which, in most cases, corresponds very closely with those outlined in H.R. 1720.

Mr. Chairman, I would also like to make our report a part of the record here today.

Mr. **Downey**. Without objection.

Ms. **Pemberton**. I would briefly outline some of the positions that we have taken as the task force as it relates to H.R. 1720.

AFDC unemployed parent program. As a principle adopted in its early discussions, our task force stated that reform should promote strong, stable, two-parent families. We support requiring AFDC UP as an important part of the reform effort. We recognize, however, that this may represent an additional cost to those counties that currently do not have such a program. But we believe our children deserve no less.

NACo also supports the language permitting participation in education, vocational, and technical training as well as JTPA activities. Such a provision strengthens the link that must be made between welfare and work programs. While we support maintaining AFDC-UP, we do believe that States should be given an implementation date of at least 1990 or later to allow them to allocate resources for the program. Perhaps a provision should be adopted allowing savings realized from the NETWork program to be allocated either to AFDC-UP or back into the NETWork program.

NACo is encouraged by the bill's establishment of NETWork as the national educational training and work program. We agree that reform must be sensitive to the different needs and abilities of the recipients. We support targeting resources to individuals at risk of becoming long-term recipients, particularly teenage parents and families on aid for 2 years or more. We believe that the proposed legislation in this area may be too prescriptive in detailing priorities.

We recognize that States and counties should set their priorities in serving at-risk individuals, but they also need flexibility with positive Federal incentives to address the unique needs of their communities.

We support lowering the age of the youngest child at which a parent is required to participate in education, work, or training. After a great deal of discussion on our task force—and I might add, it was heated at times—we recommended that where day care and other needed support services are available, able-bodied parents whose child has reached 6 months of age should be required to cooperate with the agency to jointly develop an individualized plan for part-time activities to become self-sufficient. Such a requirement within Federal, State, and local resource limitations will be a positive step toward keeping the welfare recipient in touch with the world of work.

Consequently, subject to resources available to the State and local levels, we support the provision in H.R. 1720 designing an employability plan between the recipient and agency and a contract detailing the activities required of both of them.

States and counties should be given sufficient flexibility in determining the services needed by a particular recipient. We agree that a wide range of activities should be made available to NETWork participants. For many of our recipient high school, GED, and remedial education are critical needs. However, I should note that in most cases, counties do not operate school systems. While these are services necessary for many welfare recipients, they should continue to be delivered by the existing school system.

NACo is concerned about mandating States to provide counseling as one of the services given to the NETWork participants. This requirement could be very costly, depending on how counseling is defined. As the language now exists, counseling services could range from psychiatric care to the NETWork case manager providing suggestions on how to handle stress. This language, as it now stands, is much too broad.

While we are pleased to see a 75 percent Federal and a 25 percent State-county match for funding for the NETWork program, we have not had time to estimate the cost of H.R. 1720. Providing case management services to recipients is needed, but could be a very costly proposal if we attempt to provide case management for all recipients in need.

NACo supports development of performance standards and positive incentives for good performance. While we recognize that consultation language is in the bill, we encourage Congress to closely monitor the provisions to ensure that the Secretary of Health and Human Services provides for meaningful consultation in developing the standards.

These standards should also recognize exemplary performance at the local level. We should also take into consideration unemployment and other economic factors at the local level.

NACo supports changes in the earned income disregards, including a standard deduction of the $100 a month for work-related expenses and a 25 percent deduction of remaining earnings. We also support the elimination of the 100-hour rule. These changes strengthen work incentives, but again could be very costly.

Supportive services. Throughout NACo's work and welfare task force reform recommendations, we state that support services must be available if we expect recipients to enroll in training, education, or work. Moreover, such services must be extended for a period of time after the transition from welfare to work.

We support the bill's extension of Medicare for 12 months, with a State option to extend it for another 12 months. We also support providing day care supplements on a sliding-fee scale for up to 1 year for parents leaving the AFDC family support program.

Available quality child care is an essential component to encouraging work, but quality care is also costly. While $175 a month in Federal assistance for day care and $200 a month for infant care seems reasonable, NACo needs more time to analyze the cost of providing these services.

Since 1976 NACo has supported the establishment of a national benefit standard. Since poverty is a national concern, we have held that the standard should be fully funded by the Federal Government. We also have long supported establishing uniform eligibility and a single benefit which incorporates AFDC, food stamps, and the low-income energy assistance program.

We recognize that data collection is necessary, but we oppose a provision requiring the establishment of a whole new automated system. Counties currently collect numerous pieces of data for a variety of programs. Given sufficient flexibility, counties should be able to comply with another reporting requirement, but do not want meeting the requirement to hamper service delivery.

Finally, Mr. Chairman, I would like to talk about a subject that is very dear to my heart. As a single parent, I know the need for child support enforcement. Having been separated and divorced when my children were 2 and 5 and who are now both in college, I understand the need for child support in terms of helping parents stay out of that vicious cycle of poverty.

While I did not have to receive public assistance, the assistance of child support would have increased the quality of life for my children. So I encourage and support very strongly the child support enforcement measures that are in House bill H.R. 1720.

NACo's task force has called for a more aggressive enforcement of the 1984 amendments and further positive incentives for good performance. We believe that the counties and States must continue to focus on doing a better job of enforcing those amendments.-

The bill's proposal to require automatic updating of all support orders is a goal we would like to achieve, but NACo is concerned with the possibly massive administrative mechanism it will take to periodically make these changes. We are following closely the new incentives in automatic withholding and updating of child support orders in States such as Wisconsin, but must withhold support for it mandated nationwide at this time.

We are pleased, however, with the proposed amendments of the child support program which excludes the cost of determining paternity from the incentive system. While many counties establish paternity, it is a costly process for a number of reasons, including the court costs, the county attorney's costs, and finding the father. While we support aggressive determination of paternity, it is also costly.

Mr. Chairman, your legislation is a positive step towards true reform, and as a county official, personally, and speaking for the 4,000 counties that are part of NACo, we pledge to work with you and this subcommittee in achieving reform that makes welfare recipients more competitive in the work market and provides a better quality of life for our children.

I thank you.

[The prepared statement of Ms. Pemberton and report referred to follow:]

STATEMENT OF HILDA PEMBERTON, CHAIR, PRINCE GEORGE'S COUNTY COUNCIL, MARYLAND

Mr. Chairman, members of the subcommittee, I am Hilda Pemberton, Chair of the Prince George's County Council in Maryland. I also chair the Youth Subcommittee of NACo's Employment Steering Committee, and am a member of NACo's Work and Welfare Reform Task Force. Thank you for inviting us to testify on your bill H.R. 1720, the "Family Welfare Reform Act of 1987."

First let me commend you on introducing a bill which addresses many of the current problems with today's welfare system. The bill gets to the heart of what many of us on the NACo Task Force have been saying: People want a paycheck, not a welfare check. NACo has long been on record calling for a work security or jobs program for persons able to work and a simplified, equitable income security program for those persons unable to work.

Over the past few months, our task force has met over long weekends and have heard from congressional staff, the administration and other public interest groups. Just recently, we held a meeting where we discussed the current welfare system with former and current welfare recipients. From the broad range of ideas presented to us and through the discussions our task force wrestled with, we have developed positions which, in most cases, correspond closely to the reforms outlined in H.R. 1720. I now would like to outline those positions.

AFDC—UNEMPLOYED PARENT PROGRAM

As a principle adopted in its early discussions, our task force stated that reform should promote strong, stable two parent families. While it will be an additional cost to those counties in states currently without AFDC-UP but where the county pays a portion of the AFDC benefit, we felt NACo must, for the first time, support requiring AFDC-UP as an important part of the reform effort. Our children deserve no less.

NACo also supports language permitting participation in education, vocational or technical training and JTPA as activities that would be allowed for purposes of determining AFDC-UP eligibility. Such a provision strengthens the link that must be made between welfare and work programs. While we support mandating AFDC-UP, we do feel that States should be given an implementation date of at least 1990 or later to allow them to allocate resources for the program. Perhaps a provision should be adopted allowing savings realized from the network program to be allocated to either AFDC-UP or back into network.

"NETWORK" PROGRAM

NACo is encouraged by the bill's establishment of a National Education Training and Work "Network" Program. We agree that reform must be sensitive to the different needs and abilities of recipients. We support targeting resources to individuals at risk of becoming long-term recipients, particularly teenage parents and families on aid for two or more years. We believe that the proposed legislation in this area may be too proscriptive in detailing the priorities. States and counties recognize there should be priorities in serving "at risk" individuals, but they also need flexibility with positive Federal incentives to address the unique needs of their communities.

We support lowering the age of the youngest child at which a parent is required to participate in education, work or training. After a great deal of discussion our task force decided that, provided day care and other needed support services are available, able-bodied parents whose child has reached 6 months of age should be required to cooperate with the agency to jointly develop an individualized plan of full or part time activities to become self-sufficient. Such a requirement, within Federal, State and local resource limitations, will be a positive step toward keeping the welfare recipient in touch with the world of work.

Consequently, subject to resources available at the State and local level, we support the provision in H.R. 1720 designing an employability plan between the recipient and agency and a contract detailing the activities required of both of them. States and counties should be given sufficient flexibility in determining the services needed by a particular recipient.

We agree that a wide range and activities should be made available to network participants.

For many of our recipients, high school, GED or remedial education are critical services. However, I should note that in most cases, counties do not operate school systems. While these are services necessary for many welfare recipients, they should continue to be delivered by the existing education system.

NACo is concerned about mandating States to provide counseling if needed as one of the services given to network participants. This requirement could be very costly, depending on how counseling is defined. As the language now exists, counseling services could range from psychiatric care to the network case manager providing some suggestions on how to handle stress. The language as it now stands is too broad.

While we are pleased to see a 75-percent Federal and 25 percent State/county match for funding the network program and AFDC/family support supplements, we have not had time to estimate the costs of H.R. 1720. Providing case management services to recipients is needed, but could be a very costly proposal if we attempt to provide case management for all recipients in need. There is language in the bill, particularly under the network section which recognizes that services and participation requirements will be available when "State resources permit." As counties we are concerned that the State may decide that although its resources are not sufficient, it would mandate that the extra resources be provided at the local level. We look forward to seeing the cost estimates from the Congressional Budget Office and receiving analyses from individual counties.

NACo supports developing performance standards and positive incentives for good performance. While we recognize that consultation language is in the bill, we encourage Congress to closely monitor the provision to ensure that the Secretary of Health and Human Services provides for meaningful consultation in developing the standard. These standards should also recognize exemplary performance or unemployment and other economic factors in substate areas.

AFDC WORK INCENTIVES

NACo supports changes in the earned income disregards, including a standard deduction of $100 a month for work related expenses and a 25-percent deduction of remaining earnings. We also support the elimination of the 100 hour rule. These changes strengthen work incentives, but again could be very costly.

SUPPORT SERVICES

Throughout the NACo work and welfare reform recommendations, we state that support services must be available if we expect recipients to enroll in training, education or work. Moreover, such services must be extended for a period of time after the transition from welfare to work. We support the bill's extension of medicaid for 12 months, with a State option to extend it another 12 months. We also support providing day care supplements on a sliding fee scale for up to one year for parents leaving the AFDC/Family Support Program.

Available, quality child care is an essential component to encouraging work. But quality care is also costly. While $175 a month in Federal assistance for day care and $200 a month for infant care seem reasonable, NACo needs more time to analyze the costs of providing the service to all who may need it.

BENEFIT LEVELS

Since 1976, NACo has supported the establishment of a national minimum benefit standard. Since poverty is a national concern we have held that the standard should be fully funded by the Federal Government. We also have long supported establishing uniform eligibility and a single benefit which incorporates AFDC, food stamps and the low income energy assistance program.

The proposal in H.R. 1720 is a step in that direction. After five years all States would have to provide benefits at least equal to 15 percent of the State's median income. However, NACo is not sure a median income standard captures needs or costs of living within a State or county. On such an important issue as a minimum benefit level, we need a formula that contains more than just median income. An alternative approach deserving further study is the family living standard proposed by the American Public Welfare Association. We would support a provision in this legislation to at least include a study of that concept. A single income security grant would greatly reduce the administrative complexity of the current system and would free more time for our caseworkers to work with the clients. Further steps must be taken to coordinate food stamp and AFDC eligibility.

UNIFORM DATA COLLECTION

We acknowledge that data collection is necessary, but would oppose a provision requiring the establishment of a whole new automated system. Counties currently collect numerous pieces of data for a variety of programs. Given sufficient flexibility, counties should be able to comply with another reporting requirement, but do not want meeting the requirement to hamper service delivery.

CHILD SUPPORT ENFORCEMENT

NACO's Task Force has called for more aggressive enforcement of the 1984 amendments and further positive incentives for good performance. We believe that counties and States must continue to focus on doing a better job of enforcing those amendments. The bill's proposal to require automatic updating of all support orders is a goal we would all like to achieve, but NACo is concerned with the possibly massive administrative mechanism it will take to periodically make those changes. We are following closely the new initiatives in automatic withholding and updating of support orders in States such as Wisconsin but must withhold support for a nationwide mandate at this time.

We are pleased, however, with the proposed amendment to the child support program which excludes the costs of determining paternity from the incentive system. For many counties, establishing paternity is a costly process for a number of reasons, including court costs, county attorney costs and finding the actual father. While we support aggressive determination of paternity, it can be costly.

CONCLUSION

Mr. Chairman, your legislation is a positive step toward true reform. As county officials, we pledge to work with this subcommittee in achieving reform that makes welfare recipients more competitive in the workforce and more adequately helps children.

NATIONAL
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NACo WORK AND WELFARE REFORM TASK FORCE

July 1987

WORKING PAPER

As the number of poor people in our country continues to grow, the current welfare system encourages the poor to remain on welfare for long periods of time. The millions of children living in poverty pose enormous problems for our society now and in the future.

These conditions are unacceptable. The welfare system must be changed or replaced. The new system must help individuals and families to become capable of providing for their own needs and must assist children to reach their full potential.

What is truly needed is a system that will help the poor go from welfare to work -- from dependency to self-sufficiency. The following working paper details what NACo believes must be included to accomplish these goals.

JOB PREPARATION & PLACEMENT SERVICES

PRINCIPLES

Education, training and employment services should be provided to assist all able-bodied welfare recipients achieve self-sufficiency. A basic education, job skills and good work habits are essential for preparing welfare recipients for employment. Without these, they stand little chance of getting a job that will pay more than welfare. Therefore, states and localities must be given flexibility to develop welfare assistance programs, using federal funds and other benefits, that encourage welfare recipients to participate in job preparation and placement activities.

A. Self-Sufficiency Plans

All able-bodied welfare recipients should develop with the agency an individualized self-sufficiency plan. The core of the written plan should include: skills assessment; an employment, training, job placement and/or education component; and the identification of support services needed to enable the recipient to become self-sufficient. The plan should have time lines which obligate both the recipient to fulfill mutually identified work and/or education requirements and the agency to coordinate a range of services enabling recipients to become independent.

Recipients with children over six months of age would be required to participate in developing a plan. Appropriate support services such as child care and transportation must be available before a recipient is required to participate. Recipients with very young children would not necessarily participate full time, nor would they necessarily need to leave the home. Goals for education, training, life skills, job search and work should be contained in the plan, as appropriate, as well as incentives for cooperation and sanctions for non-compliance.

B. Education

The lack of a basic education is one of the most serious barriers to employment for many welfare recipients. The education system holds the primary responsibility for providing basic or remedial skills to all recipients and their children and to encourage them to obtain a high school diploma or its equivalent. NACo urges the following:

1. Teen parents should be required to pursue their high school education or GED. Alternative education should be provided when needed and waivers should be developed for special circumstances. The education system should make the necessary provisions to provide needed child care, counseling and other supportive services for teen parents.

2. To attack the problem early, a year-round program should be created to reinforce basic or remedial skills of AFDC children and others who have difficulty learning in the traditional education system. While the education system should have the primary responsibility for these programs, local governments must be given enough flexibility to supplement them when necessary.

3. As part of the day care for recipients receiving required employment and training services, Head Start should be expanded so that every eligible child participates at least one year in the program before the age of five. In addition, a sliding fee scale should be established to accomodate the children of working poor families whose incomes slightly exceed income eligibility limits.

C. Job Training & Placement Services

Job training and placement services should assist welfare recipients to prepare for and obtain jobs leading to upward mobility, long-term career opportunities and self-sufficiency. The following principles should be carried out:

1. To prevent duplication and waste, existing employment, education and training programs should be used to assist welfare recipients. However, local officials and private industry councils must retain control over existing programs including the allocation of funds and the administration of the programs. These existing programs are designed to assist a variety of unemployed individuals in local communities. Any new initiatives to expand assistance for welfare recipients must be supported by increased federal funds.

2. The full range of employment services, including skill assessment, basic and remedial education, skill training, work experience, on-the-job training, job clubs, job development and job placements

should be available to welfare recipients.

3. A two-way agreement should exist between the recipient and the local employment agency. The agency should agree to assist the recipient with employment and training services, as well as other supportive services that he or she needs to prepare for a job. The recipient must make a commitment to be trained and placed in a job in a specified time.

4. Welfare recipients should be trained for jobs that exist in the labor market now and that pay them high enough wages to keep them off welfare.

5. Employment and training agencies should be encouraged with incentives and by performance standards to increase the placement of welfare recipients in jobs.

6. Employers should be encouraged with greater use of cash subsidies and tax credits to hire welfare recipients. On-the-job training and targeted job tax credits should be fostered.

INCOME ASSISTANCE

PRINCIPLES

The system should be improved to better promote family stability and self-sufficiency.
Parents should be responsible for providing for the needs of their children.

A. Aid to Families with Dependent Children (AFDC)

1. NACo has had a long-standing policy on AFDC for persons not able to work. This policy would replace AFDC with a system that establishes a uniform standard of eligibility but with benefits that are set regionally according to the standard of living. Expanding this policy now, NACo emphasizes that before the Federal government enacts such a standard it must fully fund the minimum benefit and provide for automatic state and local cost of living adjustments. States should be permitted to supplement benefits at the current Federal-State cost sharing ratio.

2. NACo continues to support work incentives and income allowances that permit welfare recipients to earn income without losing welfare benefits. States and counties should have the flexibility to develop incentives appropriate for their communities.

3. As an important means for promoting stable two-parent families, NACo supports AFDC-UP (Unemployed Parent) based on need and unemployment.

B. Food Stamps

NACo has long supported ending the food stamp program. Instead, cash grants for food would be included in the AFDC payment. The funding for this program should be an entitlement and the federal spending ceiling for food payments eliminated.

C. Child Support Enforcement Program

1. There should be a strong emphasis on child support with aggressive determination of paternity and enforcement of support orders.

2. The incentive payment system for states and counties should be improved to further encourage

strong enforcement in all areas.

3. States and counties should consider collecting automatic child support as a percentage of the parent's gross income. Such consideration would explore administrative problems, including:

- a. Reviewing how a system would track the self-employed, sporadically-employed and those receiving payment in cash.
- b. Determining the role of the court system and alternatives in establishing or changing orders.
- c. Requiring states to collect and distribute automatic payments.
- d. Examining the payment of a nominal transaction fee to employers for collecting and distributing automatic payments.

TRANSITIONAL SUPPORT SERVICES

PRINCIPLE

Support services should be available to participants during education and training and after employment, when necessary.

A. Child Care

1. Federal support for child care should be available to all welfare recipients who need it while participating in employment, education, or training.

2. Single parents with infants should be exempt from work and training requirements when infant care is not available within a reasonable distance from home or work.

3. Additional financial support should be made available for infant care when needed.

4. Federally funded day care should be available to working parents as they leave public assistance and should continue to be available on a fee scale based on their ability to pay.

5. Employers should be given increased financial incentives to provide child care for their employees on site or as a benefit.

6. Federal or state programs which provide training for recipients with young children must include payment for child care outside the Title XX appropriation.

7. The Dependent Care Tax Credit should be made refundable.

B. Health Care

When employers offer no or inadequate medical coverage, many welfare clients are discouraged from working because their Medicaid coverage will end.

1. NACo supports extending Medicaid eligibility 12 months for welfare clients entering jobs without adequate health coverage.

2. States and localities should have the flexibility to use Medicaid funds to purchase medical insurance coverage for a newly employed client's dependents when the employer does not provide it.

3. While AFDC recipients may now voluntarily enroll in managed health care plans (e.g., Health Maintenance Organizations) localities should have the option to require recipient enrollment in a

selection of managed health care plans without having to receive a federal waiver.

C. Transportation Assistance

1. Any federal legislation reforming the welfare system shall provide federal funding for transportation assistance.

2. Transportation assistance must be available when needed to aid in the transition from welfare to work. Such assistance should be temporary, however.

FAMILY & LIFE SKILLS

To become self-sufficient or to sustain independence, many welfare families need continuous counseling and training in family planning, family management, child development, nutrition, and stress management. These services should be available to all families. State and local education systems should include family and life skills in school curriculum. Public television should also be encouraged to promote family and life skills.

HOUSING AND ECONOMIC DEVELOPMENT

The availability of jobs and decent housing is essential for assisting welfare recipients in overcoming the many barriers of poverty and make the transition to self-sufficiency. To promote new job opportunities and decent housing for welfarerecipients, NACo urges the following:

A. Economic Development

1. Continuing Economic Development Administration (EDA), Urban Development Action Grants (UDAG), and other economic development, grant, loan, and loan guarantee programs that bring about private investment and create job opportunities for welfare recipients.

2. Job creation through targeted purchasing programs that give preference or incentives for purchasing goods and services from private businesses that hire welfare recipients.

3. Establishing specialized assistance programs that enable welfare recipients to establish businesses that address work transition needs such as transportation and day care.

B. Housing

1. Continuing and expanding of funding for housing repair, renovation and production, and encouraging the employment of welfare recipients or work trainees under such projects.

2. Targeting of housing development funds to counties that coordinate economic development efforts and neighborhood improvement efforts in target neighborhoods.

3. Providing a federal subsidy program that will encourage public and private development of affordable housing for welfare recipients.

4. Promoting housing development in high risk declining neighborhoods by providing specialized insurance and loan programs that will result in investments by local lending institutions.

PROGRAM ADMINISTRATION

Poverty is a national problem requiring national resources. Local governments are uniquely able to respond to the needs of their communities provided they are given the flexibility and the resources. State and county governments also have a responsibility to contribute funds toward solving the problem.

NACo supports the following principles for the shared responsibility of providing employment and training, income, and support services that will reform the welfare system:

- The Federal government must permit state and local administrative flexibility.
- Reform must promote uniform eligibility criteria for assistance programs and must promote and support the establishment of simplified and consolidated intake.
- Local government and the private sector shall be included in the state welfare reform planning and implementation process.
- The Federal government should set and fully fund minimum benefit standards for federal assistance programs, provide adequate resources for national programs and encourage state and local initiatives.
- Additional investments should be made in programs proven successful in preventing poverty. Those successful programs should be highlighted by government to improve public perception of welfare.
- The Federal government shall not mandate state and local government to perform additional functions or provide additional services unless federal funding is provided.

Chairman FORD. Thank you.
Mr. Scheibel.

STATEMENT OF JAMES SCHEIBEL, CHAIRMAN, HUMAN DEVELOPMENT STEERING COMMITTEE, NATIONAL LEAGUE OF CITIES, AND CITY COUNCIL MEMBER-, ST. PAUL, MINN.

Mr. SCHEIBEL. Mr. Chairman, I am Jim Scheibel, a member of the St. Paul City Council and chair of the Human Development Committee of the National League of Cities. I appreciate this opportunity. Because you have accepted the testimony, and because of my cold, I will just summarize my remarks.

I would like to let you know that a few years ago a lot of people might say, "Why is a local official testifying on welfare?" And although I am not old at the game—I have been on the city council now 5 years and active with the National League of Cities, 5 years ago there was not a lot of interest in welfare reform. Many of my colleagues would say, "Why be interested in that issue? We have to worry about our roads, our streets, and general revenue sharing."

Mr. Chairman, that has changed. I would like to convey to you today that it is at the city's level where we feel the results, and many people in our cities are seeing the results in drugs, other youth problems, and other crime that affect our cities. So this has really turned about, and now one of the top issues with the National League of Cities is welfare reform.

What is happening is that we have school systems that worry about children K through 12. We have many counties who now implement the welfare system, but they do only that, they just implement the programs that are there. There are many people falling between the gaps and they end up at our doorstep at city hall. That is the reason for the interest among city officials.

I would like to commend you and the others for taking the leadership in what we do believe is true welfare reform. I would like to offer our support, our recommendations, and our assistance as the welfare reform debate continues. You have already accepted our report on poverty which I think gives a lot of the background and shows poverty is affecting our rural towns and cities.

Poverty erodes the municipal tax base, but it also increases the demand for human services, especially those related to homelessness, child abuse, drug and alcohol-related abuse, arson, and violent crime. Without some means to respond to increasing fiscal disparities between regions and municipalities, we fear the possibility of even more vicious cycles.

A very special concern to municipal elected officials in reducing poverty is the cost and access to decent, safe, and sanitary shelter. It is the single most important determinant shaping a family. In our Nation, ensuring such shelter for all American families has been a Federal goal for almost 50 years.

A home is the critical shelter under which the family is built. Yet, shelter for all Americans is a goal to which the Federal Government has increasingly turned its back. In no area of Federal policy has there been deeper cuts.

Since 1980, the federally assisted programs have been cut by over two-thirds. According to HUD, more than 3.5 million low-income

American families will lose their access to federally assisted housing over the next decade under the current law.

Included in my testimony is an example of a program that has been very successful in St. Paul, known as the BOSS program, which combines section 8 housing with special assistance to single parents.

I would like to submit the following recommendations:

We recommend a nationwide benefit floor in uniform eligibility standards for the new family support system. These individuals must move as quickly as possible from being dependent on public assistance, assistance to being employed and economically self-sufficient.

States must continue to commit increased legal and fiscal resources for enforcement and followup enforcement of court-ordered child support. We recommend State collection of support payments through payroll tax deductions.

The National League of Cities is pleased by the inclusion in H.R. 1720 of the standardization of child support levels. This would ensure adequate amounts of support are ordered by the courts.

We believe that all levels of Government need to coordinate new resources to education. We need to target our efforts to teach teenagers and young parents, single or married, about the responsibility of parenthood.

We need to provide Head Start services in coordination with nutrition and health care much sooner. We cannot afford to neglect children until they enter school. A child's chances of making a positive contribution to our society might already be irreversible.

Ultimately, only improved prospects for career and job opportunities will motivate poor teenagers to postpone parenthood. For its part, the Federal Government should fund pilot programs targeted at at-risk teens, particularly young women.

Also, enhancement of summer and year-round youth employment programs that would encourage people to stay in school would be helpful.

Back at home in the city of Minneapolis, we found that every dollar invested in preschool programs returns four dollars to the community in terms of reduced Government costs for education, legal costs for delinquent behavior, as well as increased economic opportunity.

For the working poor and nonworking poor alike, two sets of problems prevent or impede attainment of economic self-sufficiency through meaningful employment. One set consists of barriers to employability, such as illiteracy, lack of skills, lack of experience and parenting responsibility, and the absence of affordable day care and/or transportation.

The other set of problems results from an insufficiency of decent, full-time opportunity with adequate wages and benefits. We also believe participation in this program should be voluntary. We would also recommend that the results be measured in terms of outcome rather than participation.

We believe it is important that local Government officials work along with the private sector. Cities and towns are where people live and where employers are. Moreover, it is local Government which experience firsthand the needs of those attempting to leave welfare rolls.

Today, the prospect of full-time employment no longer means that the head of a family will be able to pay the rent, provide for a sick child, or for an accident. Increasingly, when an American finds a job, he or she must play Russian roulette for taking the job: his or her family loses access to the frayed safety net. This is particularly a problem for AFDC recipients who wish to leave the welfare rolls but whose only opportunity for employment ar ones which lack health insurance coverage. We support provisions in H.R. 1720 which would extend Medicaid to families leaving welfare.

Moreover, we believe there ought to be better coordination in support of State and local preventive health care programs, particularly to pregnant mothers and families with young children.

In addition to health insurance and health care, day care for children and transportation to and from work are two other essential services, and these too should continue to be provided for a period of time after placement in a job.

The system we have now is one of different rules, inequities, and inadequate opportunities to become self-sufficient. One approach to improving the earnings of low-income workers, the National League of Cities supports an increase in minimum wage. A second approach would be to increase the earned income tax credit to relieve more low-income workers of tax obligation.

Like you, we know there are no magic answers. Rather, the problems that confront us are complex and great. We believe our proposals would only lead to modest changes.

Thank you for this opportunity, and we hope for passage of the bill this session.

[The prepared statement and attachment follow:]

STATEMENT
OF
JAMES SCHEIBEL, COUNCILMEMBER
ST. PAUL, MINNESOTA
AND CHAIRMAN OF
THE NATIONAL LEAGUE OF CITIES
HUMAN DEVELOPMENT STEERING COMMITTEE

Good morning, Mr. Chairman. I am James Scheibel, City Councilmember from Saint Paul, Minnesota. I serve as Chairman of the Human Development Committee of the National League of Cities. I am testifying today on behalf of the publicly-elected officials of over 16,000 of our nation's cities and towns.

We appreciate this opportunity to appear before the Subcommittee to present our views on The Family Welfare Reform Act of 1987 and would like to thank you for your outstanding leadership in the area of welfare reform.

The current mix of income support programs, including AFDC, the supplemental security income program, general assistance, food stamps, housing for low income individuals, and Medicaid, is a series of individual programs, unrelated to each other and with needlessly complicated operating procedures.

While most of the programs require recipients to work, an adequate number of jobs do not exist and the effort becomes an expensive administrative burden.

The pyramiding benefits available to recipients of the various assistance programs may provide a disincentive to work because of loss of benefits available to others with substantially similar incomes represent a severe inequity.

The benefits provided by the cluster of income support programs are not adequately or uniformly protected against decreases in value due to inflation. Some programs are overly protected while others are protected only if a state provides the increase.

Moreover, the need for support services such as child care and transportation are excluded. Therefore, even if a recipient finds employment, he or she may be unable to accept the job due to prohibitive child care costs - even if such care is available - and the burden of how to get to work.

Mr. Chairman, we believe H.R. 1720 addresses these important issues. The path you are taking is one which we believe will lead to true welfare reform. On behalf of NLC's membership, I would like to offer our support, recommendations and assistance as the welfare reform debate continues.

As the level of government closest to families and as the level ultimately responsible, local governments need basic levels of resources to meet human needs. Our just-released report on poverty demonstrates there is widespread disparity throughout the nation -- especially in central cities and rural cities and towns. I would like to submit a copy of our report on poverty for the record.

With disproportionate and ever increasing levels of poverty, municipalities are adversely impacted in our ability to provide services and facilities.

Poverty erodes a municipality's tax base, but increases the demands for human services -- especially those related to homelessness, child abuse, drug and alcohol related abuse, arson and violent crime. Without some means to respond to increasing fiscal disparities between regions and municipalities, we fear the possibility of even more vicious cycles.

Of very special concern to municipal elected officials in reducing poverty is the cost and access to decent, safe and sanitary shelter. It is the single most important determinant shaping a family. In our nation, ensuring such shelter for all American families has been a federal goal for almost 50 years. A home is the critical shelter under which a family is built.

The provision of low income housing has been almost uniquely a federal-local responsibility. It is one in which few states have played almost any significant role, except for the issuance of single and multifamily mortgage revenue bonds.

Municipalities are operators of public housing and homeless shelter, and are responsible through zoning, code enforcement, and community development for the shape of housing for all our constituents.

Yet shelter for all Americans is a goal to which the federal government has increasingly turned its back. In no area of federal policy have there been deeper cuts. Since 1980 federally assisted housing programs have been ut by over two-thirds. More explicitly, the Administration proposed budget for Fiscal Year 1988 requests $3.9 billion. This is 50 percent less than appropriated for FY 1987.

According to HUD, more than 3.5 million low-income American families will lose their access to federally assisted housing over the next decade under current law. Thus, for us, an essential element of poverty and welfare reform must include a federal housing component.

My city of Saint Paul offers an example of a successful, small scale approach. The Saint Paul B.O.S.S. (Better Opportunities Through Self-Sufficiency) demonstrates how federally funded programs can successfully elevate low-income persons to self-sufficiency.

In July, 1984, the City of Saint Paul submitted a proposal to participate in Project Self-Sufficiency. In November, 1984 Saint Paul was awarded 922 Section 8 Housing Certificates, currently being used by Phase I - B.O.S.S. participants to reduce monthly housing expenses. In November, 1986, an additional 100 Section 8 Housing Certificates were awarded to the City to institute a second phase of the program.

The Saint Paul B.O.S.S. program demonstrates the feasibility of low-income single parent families to realize a transition from public assistance to independence and self-sufficiency by:

- coordinating existing housing assistance, child care assistance, training and educational programs, employment opportunities, and relevant social service programs; and
- creating a comprehensive, individually tailored case management plan with each program participant, which delineates the individual's commitments under the program.

RECOMMENDATIONS: Based upon our review of your legislation, I would like to submit the following recommendations.

Our nation's current income support system is one of widely differing rules, inequities in benefit levels, and inadequate opportunities to become self-sufficient. In the interest of AFDC recipients, their children, their community and the nation, we recommend, Mr. Chairman, a nationwide benefit floor and uniform eligibility standards for the new Family Support System (FSP) (AFDC). These individuals must move as quickly as possible from being dependent on public assistance to being employed and economically self-sufficient.

States must continue to commit increased legal and fiscal resources for enforcement and follow-up enforcement of court-ordered child support. Estimates are that less than one-half of all absent parents pay child support. Of those that do, one-half pay in full. We would recommend state collection of support payments through payroll tax deductions.

NLC is pleased by the inclusion in H.R. 1720 of the standardization of child support levels. This would ensure adequate amounts of support are ordered by the court. Possible standards for setting such levels are AFDC or foster care payment standards.

We believe that all levels of government need to coordinate new resources to education. We need to target our efforts to teach teenagers and young parents - (single or married) - about the responsibility of parenthood. We need to provide head start services - in coordination with nutrition and health care - much sooner. We cannot afford to neglect children until they enter kindergarten; a child's chances of making a positive contribution to our society might already be irreversible.

Therefore, we believe there is an imperative need for the inclusion of health services, sex education and life planning in school curricula. The high incidence of pregnancy among teens from poor families suggests a causality rooted in despair and a lack of opportunities for both teenage men and women.

Ultimately, only improved prospects for career and job opportunities will motivate poor teenagers to postpone parenthood.

For its part, the federal government should fund pilot programs targeted to at-risk teens, particularly young women. Enhancement of summer and year-round youth employment programs, linked to staying in school, would contribute to the problems solution.

Back home, the City of Minneapolis has found that every dollar invested in preschool programs returns four dollars to the community in terms of reduced government costs for education and legal costs for delinquent behavior as well as increased economic opportunity.

Opportunities instead of Dependency:

Providing proper educational experience early on is only one solution to the rapidly expanding welfare problem, however. It does not address the needs of those already on welfare. We must provide workable programs to enable those struggling to get off welfare to do so and do so with dignity. Experience with current programs has shown that we have a long way to go to achieve satisfactory results.

For the working poor and the non-working poor alike, two sets of problems prevent or impede attainment of economic self-sufficiency through meaningful employment. One set consists of barriers to employability, such as illiteracy, lack of skills, lack of experience and parenting responsibilities in the absence of affordable day care and/or transportation.

The other set of problems results from an insufficiency of decent, full-time opportunity with adequate wages and benefits.

To be successful, welfare-to-work must consist of a variety of options, including: basic and remedial education; vocational, technical and higher education; work experience; job search and placement assistance, and entrepreneurial opportunity.

While we share your views that participation in programs such as NETWORK are a vital part of rising above welfare dependency, we believe participation should be voluntary. We would also recommend that they be measured in terms of outcome rather than participation.

We would further recommend that in order to ensure participants in the program will actually have jobs available to them in the community, we believe it important that local government officials work along with the private sector. Cities and towns are where the people live and where the employers are. Moreover, it is local governments which experience first hand the needs of those attempting to leave the welfare rolls.

Today the prospect of full-time employment no longer means the head of the family will be able to pay the rent, provide for a sick child, or for an accident. Increasingly, when an American finds a job, he or she must play Russian Roulette: for in taking a job, his or her family loses access to the frayed safety net. This is particularly a problem for AFDC recipients who wish to leave the welfare rolls, but whose only opportunity for employment are ones which lack health insurance coverage.

Therefore, we support provisions in H.R. 1720 that would extend Medicaid coverage to working families leaving welfare. Moreover, we believe that there ought to be better coordination of and support for state and local preventive health care programs particularly to pregnant mothers and families with young children. This is an up-front investment which will save all levels of government fiscal and human pain down the road.

In additional to health insurance and health care, there are the essential support services that much be components of any effective welfare-to-work program. Day care for children and transportation to and from work are two other "essential" services and these too should continue to be provided for a period of time after placement in a job.

Our nation's current income support system is one of widely differing rules, inequities in benefit levels and inadequate opportunities to become self sufficient. The lack of adjustment for inflation in income support programs, as well as in the legal minimum wage, serves to worsen the problem of poverty, relative to the cost of living, for those who live below the poverty line.

Therefore, as one approach to improving the earnings of low-income wage-earners, NLC supports an increase in the minimum wage to a level which more closely approximates poverty level income. A second approach would be to increase the earned income tax credit to relieve more low-income workers of tax obligations.

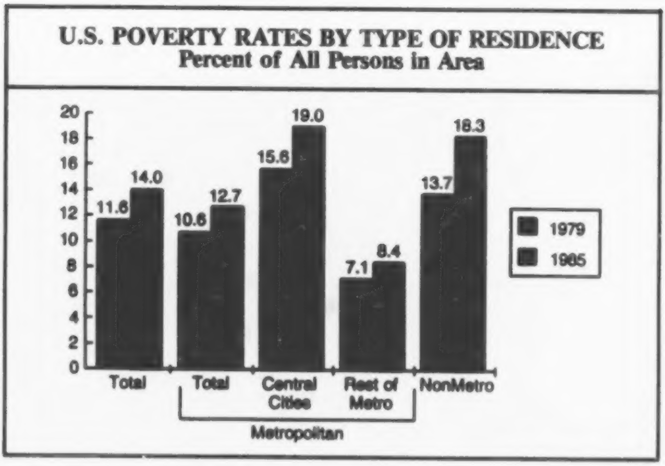
We do not believe there is any magic answer. Rather, the problems that confront us are so complex and so great, we believe our proposals would only lead to modest changes.

Yet the proposals you have made are an important step to reversing the current trends demonstrated by our report on poverty and by our experiences in our respective cities and towns.

The legislation we discuss today addresses many of the concerns voiced by our nation's locally elected officials. We commend your efforts, Mr. Chairman and those of your colleagues and thank you for this opportunity to share with you the benefit of our views.

POVERTY IN AMERICA:

NEW DATA, NEW PERSPECTIVES



A Reseach Report from the
National League of Cities

POVERTY IN AMERICA:

NEW DATA, NEW PERSPECTIVES

A Research Report of

The National League of Cities

March 1987

This Report is a revised version of Part II of the March 1987 *Economic Report to The Board of Directors of the National League of Cities*. The Report was prepared by Dr. Larry C. Ledebur, President of Aslan Associates, under the direction of William R. Barnes, Director of Research, NLC.

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1. Introduction

The U.S. is losing ground in the struggle to reduce poverty. The battle is being lost in all regions and in suburbs, as well as in central cities and nonmetropolitan areas.

This adverse trend is a striking indicator of the sluggish performance of the national economy. Especially notable is the increase in poverty among those who hold jobs.

The most recent data, for the year 1985, document these changes and help us look at the distribution of poverty in different places.[1] This locational dimension is an important--but often neglected--way of understanding the phenomenon and of determining appropriate policies.

The published data do not allow analysis by size of city or some other useful categories, but they do permit analysis by region and by metropolitan/nonmetropolitan breakdowns. (For convenience, this discussion uses the terms "urban" and "metropolitan" interchangeably).

2. Poverty and the Economy

Performance of the national economy and the issue of poverty in the United States are inextricably linked. The most effective solution to a major dimension of the problem of poverty is targeted economic growth. Effects of the reduction in unemployment on poverty rates in 1984 and 1985 highlight the importance of this linkage.

The direction of causation in this linkage, however, is not only from the national economy to poverty. Poverty has a braking influence on the vitality of the economy. Responding to the critical needs of those in poverty directs scarce national resources from other uses which might spur economic growth. Further, the segment of the poverty population which might be added to the workforce should be viewed as a national resource whose potential for productive contribution to the economy is now tragically unrealized. Realization of this potential can promote economic growth.

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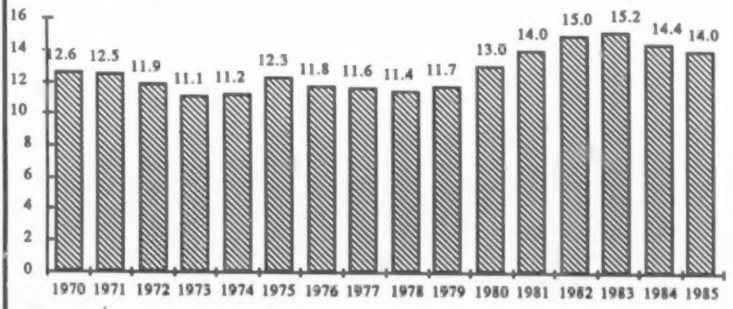
[1] U.S. Department of Commerce, Bureau of the Census, *Money Income and Poverty Status of Families and Persons in the United States, 1985* (published in August 1986).

3. National Poverty

Despite the vigorous expansion of employment opportunities in the economy, the problem of poverty has worsened in the nation. In 1985, one of every seven persons in the United States lived in poverty. The poverty rate in that year was 14.0 percent (Figure 1). This 14 percent rate of poverty translates into 33.1 million persons living in poverty in 1985.[2]

Figure 1

POVERTY RATES OF INDIVIDUALS, 1970-1985



Source: U.S. Dempartment of Commerce, Bureau of the Census, *Money Income and Poverty Status of Families and Persons in the United States, 1985*

A resurgence of poverty occurred between 1979 and 1983. The rate of poverty had drifted downward throughout most of the decade of the Seventies and stood at 11.7 percent in the last year of that decade. By 1983, however, the poverty rate stood at 15.2 percent.

For the years 1970 to 1979, the average rate of poverty was 11.8 percent. The average rate for the years 1980 through 1985 was 14.3 percent, a startling increase of 21.2 percent.

The poverty rate declined by slightly more than 1 percentage point between 1983 and 1985. This slight drop reflects the fall in unemployment over this period. In light of the magnitude of the decline in the unemployment rate over this period, from 9.6 percent in 1983 to 6.9 percent in 1985, this modest reduction in the rate of poverty was disappointing.

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[2] The poverty threshold for a family of four in 1985 was $10,989. The estimates of poverty in this report are based on money income and do not include the value of noncash benefits such as food stamps, medicare, Medicaid, and public housing. The poverty index is based on the Department of Agriculture Ecoomy Food Plan and reflects the different consumption requirements of families based on their size and composition.

4. *Spatial Dimensions of Poverty*

Media attention to the newly-released 1985 poverty data has focused primarily on the resurgence of poverty and issues such as the feminization of poverty and the emerging phenomenon of the working poor. The changing distribution of poverty - among metropolitan areas, their central cities and suburbs, nonmetropolitan areas, and among the major regions of the nation - has been largely ignored.

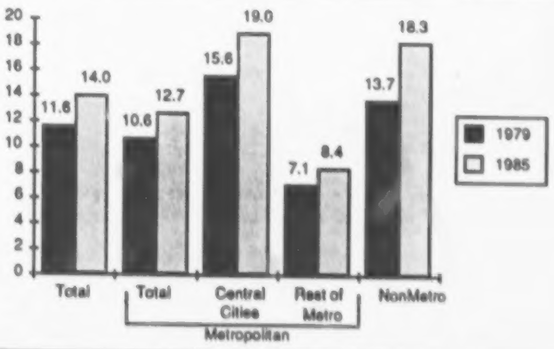
Metropolitan/Nonmetropolitan Dimensions

The rate of poverty has increased in central cities, suburbs, and nonmetropolitan areas. This resurgence of poverty, however, is disproportionately impacting the nation's metropolitan areas.

- *A growing proportion of urban residents are afflicted by poverty.* The rate of poverty in metropolitan areas increased by 19.8 percent between 1979 and 1985 and now stands at 12.7 percent (Figure 2).

- *Central cities bore the brunt of this increase in urban poverty.* In 1985, 19 percent of the residents of the inner jurisdictions of metropolitan areas lived in poverty compared to 15.6 percent seven years earlier, an increase of 21.8 percent in the central city poverty rate.

Figure 2
U.S. POVERTY RATES BY TYPE OF RESIDENCE
Percent of All Persons in Area



- *But the rate of poverty is increasing in suburban areas, too.* The metropolitan rate of poverty outside of central cities increased from 7.1 percent in 1979 to 8.4 percent in 1985, an 18.3 percent increase in the rate of poverty in suburbs.

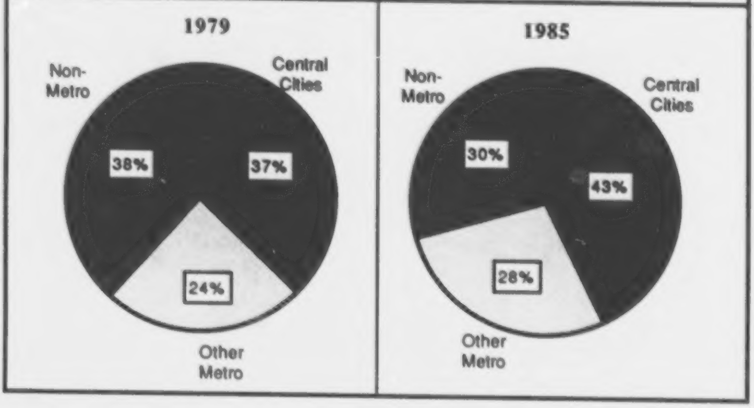
- The rate of poverty in the nation's nonmetropolitan areas is slightly below that of central cities. These less urbanized areas, however, experienced the greatest increase in the rate of poverty. By 1985, 18.3 percent of nonmetropolitan residents lived on incomes below the poverty line, an increase of 33.6 percent in the nonmetropolitan rate.

The *incidence of poverty* is a measure of the share or proportion of the nation's poverty population within a particular geographical area, spatial sector, or jurisdiction, as opposed to *poverty rates* which measure the percent of an area's population with incomes below designated poverty levels.

- *The majority of the poor reside in the nation's metropolitan areas.* In 1985, 70 percent of those in poverty were in these larger urban areas (Figure 3).

- *The metropolitan share of the poverty population has increased significantly* (12.9 percent) since 1979 when 62 percent of those below the poverty level were found in these areas.

Figure 3
DISTRIBUTION OF POVERTY BY TYPE OF RESIDENCE
1979 AND 1985



- The share of the poverty population increased in both cental cities and suburbs of metropolitan areas between 1979 and 1985.

  Δ Central cities are the repositories of a growing share of the nation's poor. The proportion of the poverty population in central cities increased from 37 to 43 percent over this seven year period.

  Δ Suburbs also contain a growing share of the nation's poor, up to 28 percent in 1985.

- This changing distribution of the poverty population is not occurring through reductions in poverty in nonmetropolitan areas. Between 1979 and 1985, the number of nonmetropolitan poor increased by 787,000.

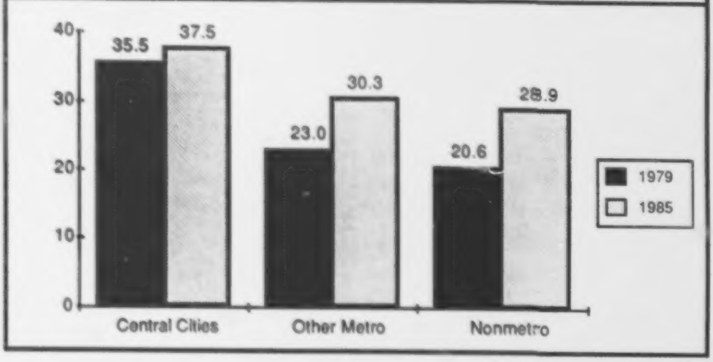
- The metropolitan poor increased by 7,645,000. Central city poverty increased by 5,739,000. In suburban areas, 1,906,000 persons were added to the poverty population between 1979 and 1985.

Concentrated Poverty Areas

Measures of metropolitan and central city poverty fail to capture the true extent to which economic deprivation is concentrated in some areas of the nation's cities. Rates of poverty in these concentrated pockets of poverty are alarmingly high and are increasing (Figure 4).[3]

- In central cities, the rate of poverty in poverty areas exceeded 37 percent in 1985, an increase of 2 percentage points between 1979 and 1985.

Figure 4
U.S. POVERTY BY TYPE OF RESIDENCE: IN POVERTY AREAS
Percent of All Persons in Area



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[3] *Areas of poverty* are Census tracts in which over 20% of the population were in poverty in the 1980 Census.

- The greatest jump in poverty rates in metropolitan areas, however, occurred in poverty areas outside of central cities. Over the seven year period the rate of poverty in these suburban areas of concentration increased over 7 percentage points and stood at 30.3 percent in 1985.

- Poverty rates in nonmetropolitan poverty areas remained below rates in metropolitan areas. These poverty areas outside of the nation's urban areas, however, experienced the greatest growth in poverty rates, an increase of over 8 percentage points.

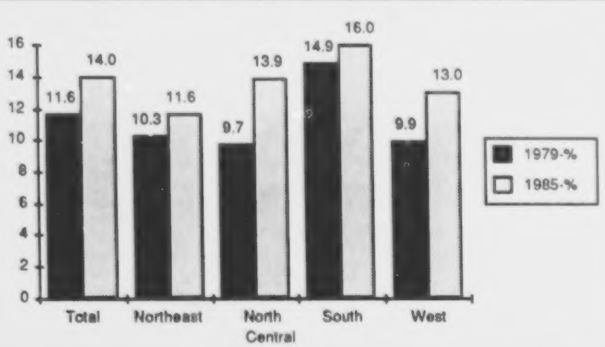
4. Regional Dimensions

Advance data from the Census Bureau do not permit breakdown of the regional dimensions of poverty by metropolitan and nonmetropolitan locations. Increases in poverty rates for the four major U.S. regions between 1979 and 1985, however, suggest that the growth of urban poverty may be occuring in each of these regions of the nation.

- The rate of poverty increased in each of the four major U.S. regions between 1979 and 1985 (Table 1 and Figure 5).

- The South, which has the highest rate of poverty (16.0% in 1985) experienced the lowest rate of increase between 1979 and 1985, followed by the Northeast.

Figure 5
U.S. POVERTY BY REGION
Percent of All Persons in Area



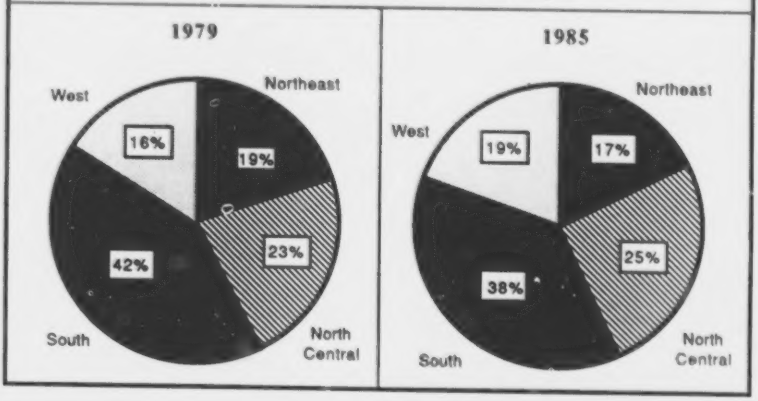
- The North Central, sorely impacted by the process of industrial restructuring, suffered the greatest increase (4.2 percentage points, or a change of 43.3 percent in the rate), followed by the West (3.1 percentage points, a 31.3 increase in the rate).

Table 1
PERCENT INCREASE IN POVERTY RATES BY REGION
1979-1985

Northeast	12.6%
North Central	43.3%
South	7.4%
West	31.3%

These changes in the rate of poverty across regions are reflected in changes in the distribution of the poverty population among regions (Figure 6).

Figure 6
U.S. POVERTY BY REGION
Percent of Total Persons in Poverty



- The South continues to have the largest share of the nation's poor. In 1985, 38 percent of those in poverty resided in the Southern states.
- The South's share of the poverty population is declining. Seven years earlier, 42 percent of the poor were in these states.
- This decline has occurred, however, not because the South has made progress against poverty, but because of the growth of poverty in other regions.
- Both the West and the North Central regions now have greater shares of the nation's poor than in 1979.

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- The Northeast experienced a decline in the share of the poverty population . As in the South, this decline was driven by the growth of poverty in the West and North Central, rather than a reduction in the Northeast's poverty population.

5. Emergent Issue: The Working Poor[4]

The pervasiveness of poverty among persons living in female-headed households has been widely reported. In 1984, one-third (34 percent) of those living in female headed households were poor. (The rate of poverty for persons in other families was 9.3 percent.) Moreover, one-third of all persons in poverty (33.1 percent) lived in female-headed households with children, and 48.1 percent of families in poverty were female-headed households.

Increases in poverty since 1979, however, are not a consequence of increases in poverty among female-headed households. Recent research has documented that increases in the number of female-headed households "contributed almost nothing to the sharp increase in poverty that occurred between 1979 and 1983."[5] The majority of the increase in the poverty population since 1979 do not live in female-headed households. Poverty has now become more extensive in other components of the population.

Poverty among children, for example, has increased substantially. In 1979, 16.1 percent of related children under 18 years of age lived in a poverty household; in 1985, the figure was 20.5 percent, an increase of 27.3 percent in the rate over this six year period.

Attention is also now focusing on the *working poor*. An understanding of this dimension of poverty is particularly important in the context of discussions of welfare reform that involve the welfare-to-work transition.

- The number of workers living in poverty between the ages of 22 and 64 increased more than 60 percent between 1978 and 1984.

- The number of those working full time who are poor increased by 66 percent over this period.

- Sixty-four percent of the heads of households in poverty that can be expected to work do so over the course of the year (Figure 7).

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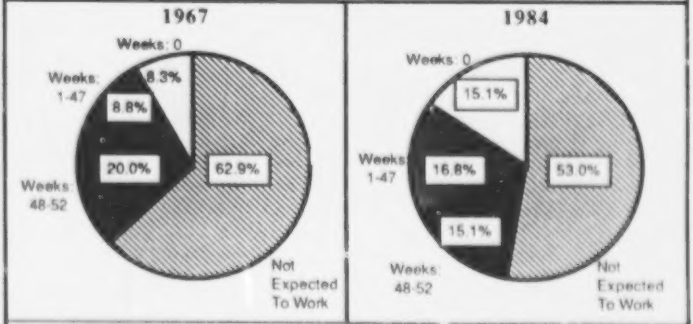
[4] These findings are drawn from:

Center on Budget and Policy Priorities, *Smaller Slices of the Pie: The Growing Economic Vulnerability of Poor and Moderate Income Americans*, (Washington, D.C., November 1985).

Sheldon Danziger and Peter Gottschalk, "Work, Poverty, and the Working Poor," in *Work and Poverty: the Special Problems of the Working Poor*, Hearings before a Subcommittee of the Committee on Government Operations, U.S. House of Representatives, December 12, 1985.
Bob Greenstein, "The Working Poor," August 1986. Unsourced.

[5] Mary Jo Bane, Executive Deputy Commissioner of the New York State Department of Social Services, reported in *Smaller Slices of the Pie*, p. 12.

Figure 7
WORK CHARACTERISTICS OF POVERTY HOUSEHOLDS



Note: Those not expected to work include the elderly, disabled, students, and single mothers of small children

Source Danziger and Gottschalk, Work, Poverty and the Working Poor, Page 13

- Eighty percent of all families of the working poor have two parents present, and more than two-thirds of all full-time workers in poverty are males.

Causes of Increases in the Working Poor

Causes of this growth in the numbers of individuals and families who are working but in poverty are poorly understood. Three causes, however, are apparent.

1. Slowing of New Job Creation[6]

The national economy continues to be a remarkable engine for the creation of new jobs, generating approximately 1.6 million net new jobs per year since 1981.

This, however, represents a slowdown in the rate of new job generation achieved over the four years preceeding 1981. Between 1976 and 1980, 1.8 million new jobs were generated annually, or 200,000 per year more than in the post-1980 period.

If this earlier rate of job generation had continued through the mid-1980s, an additional 1 million jobs would have been created and the civilian unemployment rate would be approximately 6.3 percent.

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[6] Drawn from Barry Bluestone and Bennett Harrison, "The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy," Study prepared for the Joint Economic Committee of the U.S. Congress, December, 1986.

2. Economic Restructuring and the Composition of New Jobs

The ongoing restructuring of the national economy is resulting in a significant shift in the structure of national employment. Services continue to be the primary employment growth sector in the U.S. economy. Employment in manufacturing and construction has declined by a half million workers since 1981.

This shift to services, as well as the growing number of part-time jobs, is also a shift to lower paying jobs. Recent research indicates:[7]

> *...new employment created between 1979 and 1984 has occurred disproportionately at the low extreme of the wage and salary distribution (i.e. below $7,000 in 1984 dollars). Specifically, during the 1970s about one out of every five net additional wage-earners found a job (or jobs) paying as little as $7,000. Since 1979, that fraction has risen to nearly six in ten.*
>
> *During the second subperiod (1979-1984), the number of workers with earnings as high or higher than the 1973 median ($14,024 in 1984 dollars) actually declined by 1.8 million, while workers with earnings less than the 1973 real median increased by some 9.9 million.*

Controversy has arisen about the dimensions of this problem and whether it results from the type of new jobs being generated or the characteristics of new entrants to the labor force. At the least, the evidence suggests that a significant and, perhaps, growing proportion of new job opportunities provide tenuous security and stability.

3. The Minimum Wage

The minimum wage has not been revised since the first month of 1981. Over the subsequent period, inflation has eroded the purchasing power of the dollar by 25 percent. As a consequence, since 1980, a family of three persons with one wage earner working full time for minimum wages without other sources of income would be poor (Table 2). In 1985, this family would have an income equal to 78.2 percent of the poverty level.

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[7] Bluestone and Harrison, *Ibid.*

Table 2
MINIMUM WAGE AND POVERTY

Year	Hourly Minimum Wage	Annual Earning for 2,000 Hours' Work (50 weeks of 40 hours)	Poverty Level (3 Persons)	Full-Time Minimum Wage Earnings as Percent of Poverty Level for Three
1964	$1.25	$2,500	$2,413	103.6%
1969	1.60	3,200	2,924	109.4
1974	2.00	4,000	3,936	101.6
1979	2.90	5,800	5,784	100.3
1980	3.10	6,200	6,565	94.4
1981	3.35	6,700	7,250	92.4
1982	3.35	6,700	7,693	87.1
1983	3.35	6,700	7,938	84.4
1984	3.35	6,700	8,277	80.9
1985	3.35	6,700	8,570	78.2

Source: *The Growth in Poverty: 1979-1985: Economic and Demographic Factors*, A Staff Study Prepared for The Joint Economic Committee of the U.S. Congress, December 1986.

Mr. DOWNEY. Thank you. So do I. It appears increasingly more likely that this is going to be a partisan exercise, which is a shame.

I appreciate your testimony. I think that given the fact that I am the only one here and I have already asked my questions ad nauseum about minimum benefits and I can anticipate your answer, let me just thank you and again apologize for getting you on so late.

Thank you very much.

Mr. SCHEIBEL. Thank you, Mr. Chairman.

Mr. DOWNEY. The committee will next hear from our last but not least panel: Karen Davis, Commission on Elderly People Living Alone, the Commonwealth Fund; and Ed Howard, public policy coordinator of the Villers Advocacy Associates; and Eileen Sweeney, staff attorney for the National Senior Citizens Law Center.

Ms. Davis, we will hear from you first.

STATEMENT OF KAREN DAVIS, PH.D., DIRECTOR, COMMISSION ON ELDERLY PEOPLE LIVING ALONE, THE COMMONWEALTH FUND; AND CHAIRMAN, DEPARTMENT OF HEALTH POLICY AND MANAGEMENT, THE JOHNS HOPKINS SCHOOL OF HYGIENE AND PUBLIC HEALTH

Ms. DAVIS. Thank you, Mr. Chairman, for this opportunity to talk about the elderly in the supplemental security income (SSI) program. I know from your questions earlier that you have a lot of interest in the problems of the poor elderly as you also consider the problems with the nonelderly population and the adequacy or inadequacy of the AFDC program.

I would like to start by pointing out that many elderly people do face serious problems and do struggle to try to live on very limited incomes. I am particularly concerned about the 30 percent of the elderly who live by themselves. Two-thirds are widows and they tend to be fairly old and in poor health.

For that subgroup of the elderly population, that 30 percent who live alone, their poverty rates are five times as high as they are for elderly couples. So it is not the case that all of the elderly now, with improved social security, are doing well. We find poverty rates at around 19 to 20 percent for those people who live by themselves.

Further, they are even higher for minority elderly who live alone: about 43 percent for blacks and about 35 percent for Hispanics, compared with a poverty rate of 16 percent for white elderly people living alone.

The problem of poverty among many of these elderly people is largely a problem of widow's poverty. We have commissioned a number of studies, and we found, for example, that half of widows were not poor when their husband was still alive, so the death of the husband, whether it's the medical expenses or the loss of the pension income, has driven them into poverty.

In the future, there will be improvements in pension coverage, presumably ongoing improvements in Social Security benefits. But we find that the poverty among the elderly is not going to go away. We have made estimates out to the year 2020, and we find that poverty rates among this elderly group who live alone will stay at about 20 percent till the turn of the century, and they go down only slightly, to about 15 percent, by 2020. In particular, it doesn't go down at all for those over age 75; in fact, it goes up a bit so that poverty rates among very old elderly people living alone will rise from 22 to 25 percent by 2020.

The main program that deals with the poor elderly is largely the SSI program. But this program really doesn't do the job of eliminating poverty. There are three main reasons for that: One, the eligibility level is well below the Federal poverty level. Second, there is a stringent asset test that keeps many people from being eligible. And third, some people don't participate even though they are eligible for SSI benefits. We are very concerned about the fact that this $340 a month, while it may be better than the AFDC benefit level in States like Alabama, is only about 76 percent of the Federal poverty level. You are talking about an elderly widow trying to live on less than $100 a week with that income. The benefit level for an elderly couple on SSI is set at 90 percent of the Federal poverty level, so there is an inequity with regard to these people who live alone.

I agree with the chairman that there should be some minimum in the AFDC program, and it is a real problem having States like Alabama at 16 percent of the poverty level. And whether that is cured by having a minimum benefit set at 15 percent of the State median income or secured by having a Federal benefit at 50 percent of the Federal poverty level, I do think something needs to be done.

But I would like to point out some differences between the elderly and the nonelderly population. If you consider the case of an 85-year-old widow in poor health, first of all she doesn't have any possibility of earnings. There is no possibility of eventually being able to move off of this kind of income support. She is not going to have earnings, whereas an AFDC family may have some supplemental income from earnings or may have some financial help from friends. Eligibility for the nonelderly may be a shorter term situation, being on AFDC for 6 months or 9 months, maybe being able to borrow from family or friends, or maybe getting some child support. But if we are talking about a widow, SSI is the only option available.

The next point is that they have very high out-of-pocket medical expenses. Only 25 to 35 percent of the elderly poor are covered by Medicaid. So it is not the case that Medicaid is there to pick up that $520 hospital deductible under Medicare. In fact, paying their prescription drugs, physician bills not covered by Medicare, et cetera, they could easily be paying $60 to $100 a month. So that $340 isn't all available to them to support their needs as well.

A fourth of the elderly who live alone have no children. And half of them don't have children within an hour's driving distance. So, again they are not able to turn to family members.

So I do think there is a genuine problem with the elderly poor, particularly the single individual living alone, that needs to be addressed. States can supplement the SSI program, but only five States bring the benefit level for a single individual up to close to the Federal poverty level.

We are also very concerned that fewer than a third of the elderly who are living alone get SSI. That is, as I said before, for a number of reasons. Primarily, the asset test is sufficiently stringent that a lot of people don't get covered.

But we have also found that about half of the people who are eligible for SSI don't sign up for it. We commissioned a survey by Louis Harris & Associates to find out why, and found that about half of those simply don't know about the program or don't think they are eligible. So we do think that outreach is very important, and the commission that I direct does plan to launch a private sector demonstration to test effective methods of outreach. A lot of approaches in the past have been paper, for example, a notice in a Social Security check, rather than using the radio, television, or other ways of trying to reach some of these people.

Because the SSI program is directed to those most in need, it would have an immediate impact if Congress were to raise the SSI level to 100 percent of the poverty level. The poverty rate among those elderly people living alone would drop immediately from 19 to 12 percent. So you can have a major impact on it. An increase would not eliminate all of poverty because of the asset test and the participation problems.

It does cost money to do that. It is a fairly modest amount when you think about it as a percent of the GNP. Certainly, it declines over time because this problem is fairly well contained, unlike the nonelderly problem. You are talking about a total poverty gap of about $3 billion. So you can deal with that without too much money.

There are ways of doing it without competing for funds for the nonelderly, and I will leave it to one of the other panelists to talk about that. But we have jointly supported a study to look at different sources of financing, for example, inheritance tax changes or some Social Security tax changes that could generate the revenue to pay for this portion of it without having to dedicate funds that would be used for the nonelderly.

Thank you.

[The prepared statement of Ms. Davis follows:]

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POVERTY AMONG ELDERLY PEOPLE LIVING ALONE: THE NEED TO IMPROVE THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Karen Davis

Thank you, Mr. Chairman for this opportunity to testify on the Supplemental Security Income (SSI) program. As you consider needed changes in welfare programs for the nonelderly population, it is important to bear in mind that many of our senior citizens continue to live in poverty. Almost two million elderly people face a particularly difficult set of circumstances: they are old, alone, and poor. The elderly who live alone often lack the essential economic, physical, and emotional support that can mean the difference between a dignified old age and a spiralling deterioration.

Today, I would like to share with the Committee new information on the economic plight of this subset of the elderly population and discuss the importance of improving the SSI program to provide a modicum of economic security for those living alone in old age.

Poverty Among Elderly People Living Alone

Of the 27 million noninstitutionalized elderly persons in the U.S. at the present time, almost 9 million face a complicating factor: they live alone. Two-thirds of the elderly who live alone are widows, many of whom suffered a sharp decline in income following retirement or the death of a spouse. Half of the elderly living alone are over the age of 75; close to half are in fair or poor health.

Those who live alone do not share in the general economic prosperity that faces elderly couples. In 1987, the "poverty line" for an elderly single person is $5,393 -- or $104 per week. There can be little doubt that this level of income represents real deprivation, where hard choices among the necessities of food, shelter, and medical expenses are a daily reality. Poverty rates for those who live alone in 1987 are estimated to be 19 percent -- five times as high as the poverty rate for elderly couples. About 1.7 million elderly living alone are living in poverty, including approximately 1.1 million elderly widows.

Among the elderly who live alone, poverty incidence is dramatically higher among minorities -- 43 percent for blacks and other nonwhites and 35 percent for Hispanics -- compared with a poverty rate of 16 percent for white elderly people living alone.

Many elderly who live alone have incomes just slightly in excess of the poverty level. About one-fourth of the elderly living alone have incomes between 100 percent and 150 percent of the federal poverty level. Together 43 percent of elderly living alone are poor or near-poor.

The causes of poverty among the elderly living alone are complex. For many elderly persons, high inflation in the 1970s eroded the value of many sources of retirement income; savings accounts lost purchasing power as did some pension and annuity incomes. For other elderly persons, rapidly escalating medical costs and unexpectedly longer life spans stretched savings thin.

The problem of the elderly poor is to a substantial degree a problem of widow's poverty. A recent study conducted for The Commonwealth Fund Commission on Elderly People Living Alone provides important new data on why single elderly persons, and widows in particular, are poor. The study finds that:

- About half of widows were not poor before the death of their husband.
- A husband's death can cause his widow's poverty in several ways:
  - Medical and funeral expenses consume resources;
  - Pension income is frequently lost.
- Husbands of poor widows had worse health and retired earlier. They also earned less when they worked. All of these factors suggest lower income relative to needs during the family's working years, resulting in less savings, and finally resulting in the very low asset incomes of the elderly who live alone.

In another study, the Commission has estimated the poverty gap among elderly people -- that is, the amount of money that would in principle eliminate their poverty. For all elderly persons, the total poverty gap is close to $3 billion in 1987. The elderly living alone account for 60 percent ($1.8 billion) of this total even though they make up only one-third of the elderly population. Elderly widows living alone have a poverty gap of $1.2 billion.

Future Trends

The Commission has estimated future trends in poverty among elderly people living alone -- using a microsimulation model developed by ICF, Inc. The ICF estimates take into account changes in female labor force participation and the growth in retirement benefits under Social Security and private pension programs including improvements in pension coverage that will result from recent legislative changes.

Between 1987 and 2020 the number of elderly people living alone will increase from 8.8 million to 13.5 million. Given the expected growth in the economy, improved work histories, and pension law changes, it might be expected that poverty among the elderly living alone would be markedly reduced. Yet, ICF estimates indicate that poverty among elderly people living alone will not decline by the year 2000 -- but rather continue to average about 19 percent. By the year 2020 poverty among this group will drop only slightly to 15 percent. In absolute numbers, the number of poor elderly living alone will increase from 1.7 million in 1987 to 2 million in 2020. Poverty among elderly people living alone age 75 and over will rise from 22 percent today to 25 percent at the turn of the century and then level off. Poverty rates for elderly couples and for elderly men will fall markedly -- further widening the disparities in economic security among subgroups of the elderly.

The total poverty gap for all elderly will increase from $3.0 billion in 1987 to $3.3 billion at the turn of the century and $3.5 billion by 2020. The total poverty gap for the elderly living alone will increase from $1.8 billion today to $2.6 billion in 2020, a 44 percent rise. As a percent of the Gross National Product (GNP), however, the elderly poverty gap will drop from 0.062 percent of the $4.5 trillion GNP in 1987 to 0.049 percent of the GNP in 2020.

A key question is why the poverty rates among the elderly living alone remains largely unchanged through the turn of the century. The most important reason is a demographic one. Due to declining mortality rates and a shift in the age structure of the population, the average age of the elderly living alone will increase from 1987 to 2005. Because persons age 85 and over are the poorest of the elderly, it is not surprising that the poverty rate for the elderly living alone does not decline during the next 15 years. As the aging population depletes their assets and the buying power of any pensions is eroded, the proportion of elderly living alone below the poverty level will tend to remain high.

Poor Elderly and the SSI Program

Another question is why the Supplemental Security Income program does not eliminate poverty among the elderly. There are three basic reasons: the SSI eligibility level is set below the poverty level, the SSI program has a stringent assets tests for eligibility, and not all those eligible for SSI participate in the program.

For many elderly poor who are eligible and do receive SSI benefits, the amount of the benefits does not supplement income adequately to raise them to the poverty threshold. A disturbing inequity exists in the benefits paid to individuals as opposed to couples. While the maximum Federal benefit for elderly individuals is 76 percent of the poverty threshold, the maximum Federal benefit for elderly couples represents 90 percent of the poverty line.

State supplementation raises the SSI benefit level to the poverty line for a single individual in only a few states. In 31 states, a single elderly individual would receive a total income from the federal benefit plus any state supplement of between 75 and 79 percent of poverty. Another 15 states provide supplementary payments that yield total benefits in the range of 80 to 92 percent of the poverty level. Only five states -- Alaska, California, Connecticut, Massachusetts, and Wisconsin -- supplement federal payments to a level near or exceeding (98 to 136 percent) the poverty level.

Not all elderly poor, however, receive SSI. Our estimates suggest that fewer than one-third of the poor elderly living alone receive any SSI income. SSI accounts for about 14 percent of the income of the elderly poor living alone. The elderly poor living alone derive 79 percent of their income from Social Security and a small remainder coming from pensions, asset income, employment earnings, and other sources. The stringent asset test for SSI eligibility sharply restricts eligibility for SSI.

Another troubling concern, however, is that it appears that only about half of persons eligible for SSI actually participate in the program. The Commonwealth Fund Commission on Elderly People Living Alone commissioned a survey of elderly people by Louis Harris and Associates to find out more about the concerns of elderly people. For those who appeared to be eligible for SSI but not participating, we asked why they did not participate. Among 80 people in the sample who had incomes under 75 percent of the federal poverty line and less than $2,000 in savings and not participating in SSI, response to the question "You might be eligible for SSI, why have you not enrolled?" was as follows:

Never heard of it	24%
Believed I was not eligible	21
Don't need it	14
Not willing to accept welfare	6
Benefits too low to bother with	4
Dont' want to deal with government	3
All other reasons	16
Not sure why not enrolled	12
	100%

Previous efforts to increase SSI participation among those eligible have been only partially successful. Further direct experimentation is needed with methods to increase participation. The Commission plans to launch a private sector program to demonstrate effective approaches to increasing SSI participation.

Improving SSI

For many of the elderly in the population, SSI is not fulfilling its potential as an income security program. Clearly, income needs of poor elderly persons could be met to a greater degree if SSI benefits were higher. Because the SSI program is directed to those elderly most in need, it is possible to assist the poorest elderly almost immediately. By increasing Federal SSI benefits for individuals to the same fraction of the poverty line as received by a two-person eligible family (i.e., 90 percent of the poverty line), the poverty rate for elderly people living alone would drop immediately from 19 percent to 14 percent and 26 percent of the poverty gap of the elderly living alone would be eliminated.

Setting the SSI benefit at the poverty line would eliminate about 29 percent of the poverty gap of the elderly living alone, and would markedly reduce the poverty rate among elderly living alone from 19 percent to 12 percent. About 600,000 persons who would otherwise be poor, would not. Of these, about 400,000 are widows.

The estimated cost of raising the SSI benefit level to the full poverty line is $4 billion, of which $2.3 billion or 58 percent, would go to the elderly. The remainder would assist the disabled. Nearly all (97 percent) of the funds for the elderly would assist the poor or near poor elderly.

Raising the SSI benefit level would also markedly reduce poverty in future years. By 2020 the poverty rate among elderly people living alone would be 10 percent -- half the rate it is today -- if the SSI benefit level were raised to 100 percent of the poverty level. This improvement in the economic security of one of the most vulnerable groups of our population could be achieved by devoting a declining share of the nation's economic resources. It is well within our means to do so and should receive high priority consideration. Thank you.

Mr. DOWNEY. Thank you.
Mr. Howard.

STATEMENT OF EDWARD F. HOWARD, PUBLIC POLICY COORDINATOR, VILLERS ADVOCACY ASSOCIATES

Mr. HOWARD. Thank you, Mr. Downey. I know you are concerned about SSI and the elderly because I remember your concerns when you were an active member of the Aging Committee and I was on the committee staff. I thank you for working us into what is obviously a very tight schedule, talking about welfare reform.

First, let me say that we and other aging organizations recognize that the primary thrust of these hearings, of this initiative, as embodied in H.R. 1720, is to deal with younger persons and their problems with work and welfare. We support those efforts, and regardless of the outcome of any proposed changes on SSI, we would hope that we could be helpful in passing that kind of legislation.

But frankly, a discussion of the elderly poor is right in place. Contrary to the popular belief, as Dr. Davis' study has amply demonstrated, there are poor elderly people in this country, not all of them get up in the morning from their Florida condominium and stroll out and either play golf or go to their broker.

There are 3.5 million older people who are below the official poverty line, which I might point out is in fact lower than it is for people under 65, because it is assumed that older people eat less. A historical quirk, but nonetheless it classifies 700,000 people or so as not poor who would otherwise be poor if they happened to be under 65.

There is one thing that is clear from the studies that the Commonwealth Fund and the Urban Institute and others have done. That is that the elderly are not homogeneous. Maybe the elderly poor tend to be more homogeneous, but the elderly range from the 65-year-old retired executive to the 92-year-old woman who is in a nursing home, getting an SSI institutional benefit of $25 a month that hasn't been changed since the program started in 1974.

Who are these folks? Dr. Davis partially answered that question. They are disproportionately women. They are disproportionately Hispanic and black. They are disproportionately old-old, age 85 or more. And there are some charts in my testimony that demonstrate that. They are people who have outlived the family support systems. And once an older person becomes poor, she is much less likely ever to escape poverty because there aren't the handles—a job, a marriage—that usually are associated with the quickest ways out of poverty.

I would like to spend just a moment to try to put a tangible face on some of those figures, if I could. I know you were not meaning to infer that $340 was a princely sum, but let's take a look at what that really means. Most elderly SSI recipients have some Social Security income, so they get to keep $20 a month of that. So they have $360 a month. And the overwhelming majority of SSI recipients are individuals and not couples.

That is $12 a day. Now, the thrifty food plan that one of the earlier witnesses was describing—I guess it was Congressman Miller who was talking about it—assumes that a third of that money is going to get spent on food. So that is $4 a day on food. That is $1.33 a meal or thereabouts. I went down to the carryout at Rayburn while I was waiting to testify and managed to spend $2.25.

I know that an SSI recipient could not sustain even that level of expenditure for a month on the amount that is allocated.

Then you have got either rent and utilities; or you have got maintenance, taxes, insurance, and utilities, depending on your housing arrangement; you've got transportation and clothing. And then, as Dr. Davis pointed out, out-of-pocket health care costs burden not only the people who aren't on Medicaid, who are the majority of the elderly poor, but even those on SSI, as Medicaid programs have been cut back. If you happen to live in Tennessee and need 12 days of hospitalization instead of 11, Medicaid doesn't cover it, and there is an out-of-pocket liability that has to come out of that SSI benefit.

So, raising the benefits to the poverty line, just to make it more tangible, would put another $4 a day in the pocket of an individual SSI recipient. I think probably we could agree that that is not an undoable amount, nor is it particularly profligate.

So how do you attack the problem of the elderly poor? To paraphrase President Reagan, there is no easy answer to that question, but unlike the situation with the younger poor, there is a simple answer to the question and it's tied to the SSI program.

The report that Dr. Davis just referred to, which her institution and the Villers Foundation cofunded and that was authored by the Urban Institute and economist Jack Meyer, lays out the principal ways you can do it. They boil down basically to raising the benefit level and raising the asset limit.

The latter, by the way, which would be an extremely targeted way of getting money to people who are by definition poor—they even have income under the current income eligibility standard—would cost $20 million in the first full year of implementation, which is something I think you could do without blinking twice.

That report also identifies several ways that those improvements could be financed. Now, we understand the subcommittee doesn't have revenue-producing jurisdiction necessarily, but we also think that any major improvements in a program like SSI have to include suggestions on how to pay for it, and the report by the Urban Institute does in fact list a number of those options.

Not all of them are preferred by the people who commissioned the study, and I should say very explicitly that those of us at Villers do not favor cutting cost-of-living adjustments for social security benefits and we do not favor taxing health benefits of active workers to fund improvements in SSI.

But I would draw your attention to some of the other options, and in particular to the Federal estate taxes. We do think that a partial restoration of those taxes, which were virtually repealed in 1981, makes a lot of sense in this context.

Now let me make just three quick final points, Mr. Chairman, if I may.

First, we support the bill being introduced by Congressman Matsui to increase the personal needs allowance and make a number of other technical changes. Chairman Ford has expressed some leadership in this area in past years, and I know that we will be there to try to help him get that kind of relatively technical but very important legislation passed.

Second, let me emphasize that even if you talk about goals of moving to the poverty line, there are incremental improvements in benefits and resource limits that can be designed to fit whatever constraints you have.

Finally, I note that SSI itself emerged from the welfare reform debate in the early 1970's, and I think the opportunity exists to make some important improvements at both ends of the age spectrum here, and we would like to see you do your best to help grandparents as well as grandchildren.

Thank you very much.

[The prepared statement of Mr. Howard follows:]

WELFARE REFORM: IMPACT ON POOR ELDERLY AND DISABLED AMERICANS

Statement by

EDWARD F. HOWARD
Public Policy Coordinator
VILLERS ADVOCACY ASSOCIATES

before the

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

Washington, DC
Wednesday, April 1, 1987

Mr. Chairman and members of the Subcommittee, thank you for this chance to testify on welfare reform, and the extent to which low-income older and disabled persons are affected by this debate. Low- and moderate-income seniors are the principal concern of Villers Advocacy Associates, a non-profit organization based in Washington.

First, Mr. Chairman, let me congratulate you and your colleagues on the introduction of H.R. 1720, The Family Welfare Reform Act. The "NETWORK" Program envisioned by your bill sets out a thoughtful framework for education, training and work as the cornerstones for welfare reform. Its Family Support Program makes a significant step forward in setting a benefit floor at 15% of each state's median income. Regardless of how welfare reform eventually treats the elderly and disabled poor, we strongly support your initiative, and will work, with other aging organizations, to see it enacted.

But my principal purpose today, Mr. Chairman, is to broaden the welfare reform debate. We urge you to examine the plight of the elderly poor, and ways in which their condition can be improved.

Myths, old and new. Not long ago, the popular stereotype portrayed older Americans as uniformly poor, powerless and pathetic -- thus deserving of public generosity. Aging advocates, perhaps unwittingly, helped popularize this myth. And it was a myth, though one with some factual basis. As recently as 20 years ago, the proportion of elderly with incomes below the official poverty line was twice as high as it was among the general population.

More recently, this image has been reversed. The elderly are now viewed by many as rich, greedy and self-serving, neither needing nor deserving government help. Once again, there is some factual basis for the myth -- dramatic progress has been made over the past generation in the struggle against poverty and the fear of economic insecurity. And, in fact, this progress is a triumph for enlightened govermental intervention, largely through the Social Security program.

But neither of these views of the elderly is correct. The 29 million Americans over age 65 constitute a complex, heterogeneous group. Affluent elders exist: 5.6% of all households headed by an elderly person -- one in 18 -- had incomes over $50,000 in 1985. But one elder in eight, or 3.5 million persons, had an income below the poverty line. In order to get a true picture of the extent of poverty among the elderly, one must look behind the aggregates.

Low-Income Elders: A Closer Look

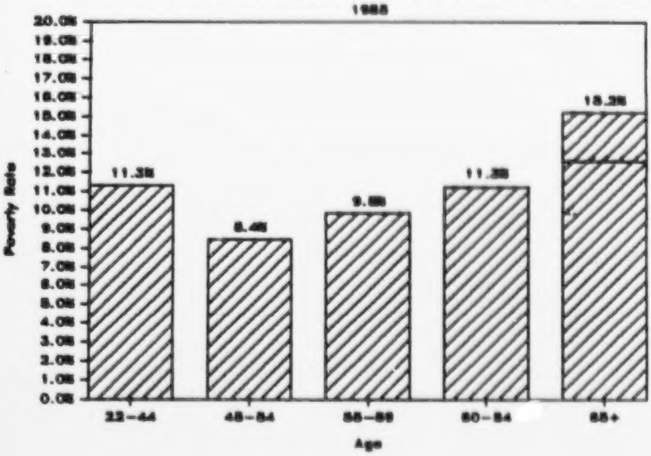
Poverty is an especially widespread and deep-rooted problem for some segments of the elderly population: for minorities, compared to whites; for women, compared to men; for the "oldest old," compared to "younger" elderly.

- **Minorities:** The risk of being poor is substantially higher for elderly minority group members. Older Hispanics are twice as likely as older whites to be poor; older blacks, nearly three times as likely.

- **Women:** Women constitute 58.7% of the total elderly population, but 72.4% of the elderly poor. Elderly women have a poverty rate nearly twice that for men: 15.6% of all elderly women were poor in 1985, compared to 8.5% of all elderly men. Elderly black women experience a form of "triple jeopardy" -- the poverty rate for elderly black women in 1985 was 34.8%, more than one out of every three.

o **The `oldest old':** Poverty also takes an especially heavy toll among the "oldest old." Some 18.7% of all persons 85 years or older are poor; among women 85 or older, 19.7%. This rate is about the same as the poverty rate for children under 18. Poverty assaults the youngest and oldest among us -- the two groups least able to defend themselves.

POVERTY STATUS BY ADULT AGE GROUP



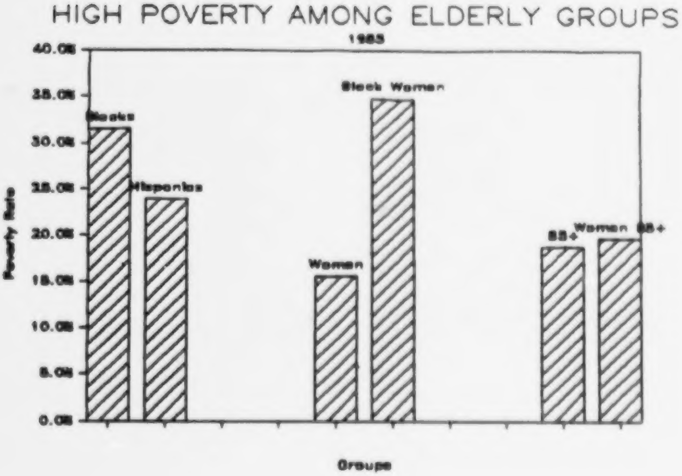
Source: U.S. Department of Commerce, Bureau of the Census, Money Income and Poverty Status of Families and Persons in the United States: 1985.

Poverty over time. Among those classed as "poor" at any given moment, researchers estimate that only one in ten are mixed in long-term poverty (defined as being poor for at least eight years out of ten). Among these "persistently poor," the elderly are over-represented. They constitute about a third of all Americans in long-term poverty, though only 12% of the total population. In other words, the elderly are more than twice as likely as others to be trapped in long-term poverty.

The best route out of poverty -- as your bill exemplifies, Mr. Chairman -- is a decent job. For most elderly poor, that's not an option.

Adult poverty by age: elders are poorest. Poverty among America's children is a national disgrace. More than one in five Americans under age 18 has income under the poverty line. This Subcommittee's commitment to attacking this problem is commendable.

At the same time, the extraordinary dimensions of the crisis among children need not cause us to downplay the extent of poverty among adults. And the fact is that, among adults, poverty is more widespread for the elderly than for any other age group. The overall rate among the elderly -- 12.6% in 1985 -- was almost 20% higher than the 10.6% rate for those age 22-64.



Source: U.S. Department of Commerce, Bureau of the Census, unpublished data.

One last observation about official poverty figures for the elderly: to be classed as a poor elder, you have to be poorer than if you're under 65. That's because the official poverty threshold for those under 65 is significantly higher -- 8.5% for individuals, 11% for couples -- than the threshold for those over 65. The reason can be traced to a fluke of social history, but, at bottom, elders were judged to need to spend less on food -- despite the fact that their generally poorer health may require special, more expensive, diets. If the same poverty line were used for all ages, another 700,000 elders would be classed as poor -- enough to raise the poverty rate among those 65 and over to 15.2%.

Although disabled younger Americans are not our major focus, it is worth noting that poverty rates for disabled adults are also startlingly high: 38.1%, according to estimates drawn by the Urban Institute from the March 1984 Current Population Survey.

HOW TO ATTACK ELDERLY POVERTY

There is no excuse for a society as well off as ours tolerating the continuance of poverty among its elderly citizens -- those who have contributed to our society all of their lives, and yet have the fewest options for dealing with their dire need for income.

Fortunately, there is a tool available to Congress for addressing this intolerable situation: the Supplemental Security Income (SSI) program.

Enacted in 1972 and first put in operation in 1974, the SSI program today pays benefits to some 4.2 million low-income elderly, blind and disabled Americans.

Over a year ago, the Commonwealth fund's Commission on Elderly Living Alone, acting jointly with the Villers Foundation, asked the Urban Institute and Jack Meyer, then with the American Enterprise Institute, to look at ways in which elderly poverty could be alleviated. The report from that project was released just this week, and copies are being furnished to each member of the Subcommittee.

Although the authors had wide discretion to examine different strategies for dealing with elderly poverty, they settled very quickly on the SSI program as the best vehicle. Its benefits are universal (though States can choose to supplement them) and adjusted each year for inflation. Its eligibility standards are uniform and nationwide. And perhaps just as important, in all but a handful of states, SSI eligibility carries with it automatic eligibility for Medicaid -- particularly crucial for the elderly, whose out-of-pocket health expenses are three times those of younger Americans.

What changes should be made in SSI? There are two major structural shortcomings in the SSI program identified by the Urban Institute report:

First, the federal SSI benefit levels fall substantially below the poverty line. In 1987, the maximum federal SSI benefit for an elderly individual is just $340 per month ($4,080 annually) -- or approximately 75% of the projected 1987 poverty line ($5,410). For elderly couples, the maximum federal benefit level is $510 per month ($6,120 a year) -- or about 90% of the projected poverty line in 1987 ($6,830).

SSI's funding structure permits states to supplement federal benefits. Only 26 states (and the District of Columbia) do so. But the median state SSI supplement for an elderly person living alone is only $36 a month -- and since 1975 the real dollar purchasing power of that supplement has eroded by 56%. Indeed, only four states (Alaska, California, Connecticut, and Massachusetts) provide supplements to elderly individuals in amounts which, when added to the federal benefit, result in incomes above the poverty line.

Second, an elderly person cannot qualify for SSI benefits unless he or she has extremely limited "countable assets": not more than $1,800 for an individual and $2,700 for a couple in 1987 -- just over half the amounts of the 1974 levels, in real terms. According to the Urban Institute report, that erosion alone has squeezed almost a quarter million persons out of the SSI-eligible ranks, on the grounds that they have "too many resources."

One can deal with these shortcomings in very straightforward terms: increase the federal benefit standard to the poverty line, and restore the resource limits at least to their 1974 real levels. That would translate, in 1987 terms, to individual benefits of about $450 a month, couple's benefits of about $570 a month, and resource limits of $3,2 00 and $4,800, respectively.

Such changes would not come cheaply, at least in the long run. According to the report, after changes are fully phased in, and after participation rates among those eligible reach expected maximums, the cost of these two major improvements could reach as much as $6-7 billion a year in new federal dollars.

FINANCING SSI IMPROVEMENTS

The Urban Institute/Jack Meyer project was also charged with identifying ways in which these funds could be raised. Further, in an effort to avoid even the appearance of fostering "Intergenerational conflict," almost all of the financing options fit one further criterion: they bear some connection with the population that would benefit from the strengthened protection against poverty in SSI.

The authors suggest changes in payroll taxes, changes in the tax treatment of social security benefits, even curtailing cost-of-living adjustments under social security (I know the Subcommittee will recognize that the latter owes its presence to intellectual completeness, not desirability).

One set of options deserves special attention: that is, proposals to recapture some of the enormous estate tax breaks granted to the wealthiest Americans in 1981. Maximum rates were lowered by 29%, and the size of an estate that could completely escape taxation was increased from $175,000 in 1981 to $600,000 today. The 1981 changes will cost the government $10.1 billion in FY 1989 -- almost twice the projected amount of gift and estate tax receipts. In other words, the federal estate tax today is more loophole than law.

Merely restoring the threshold to its 1985 level ($400,000) is estimated by CBO to yield more than $5 billion over three years.

Though there is no painless ways to raise substantial amounts of money, we believe that the Urban Institute/Jack Meyer report lays out a number of sound, feasible options for financing these urgently needed SSI improvements.

Also, Mr. Chairman, you should know of our strong support for legislation that Rep. Matsui is introducing, to make a series of much-needed technical changes in the SSI program, and once change that is decidedly not technical, though modest: a $10 per month increase, the first ever, in the personal needs allowance paid to poor nursing home residents.

Mr. Chairman and Members of the Subcommittee, you quite properly see your primary task, in reforming our welfare system, as helping millions of younger Americans lead productive, useful, self-sufficient lives. We support those efforts. At the same time, we believe that strengthening the safety net for some of our most vulnerable Americans -- the elderly and disabled -- can compliment, rather then detract from, those efforts. SSI emerged from the valiant efforts 15 years ago to reform our welfare system. Let us not lose this opportunity to advance both of these action agendas by reforming the welfare system for Americans of all ages.

Thank you very much.

Chairman Ford. Thank you.
Ms. Sweeney.

STATEMENT OF EILEEN P. SWEENEY, STAFF ATTORNEY, NATIONAL SENIOR CITIZENS LAW CENTER

Ms. Sweeney. Mr. Chairman, I appreciate the opportunity to appear today in support of the SSI improvement bill which Representative Matsui is introducing. Dr. Davis and Mr. Howard have focused on the broader improvements needed in SSI. There can be no doubt that raising benefits and asset levels would be extremely beneficial to low-income elderly and disabled people.

Mr. Matsui's SSI improvement bill is a collection of small, extremely modest provisions. These provisions basically adhere to five themes: First, minor changes need to be made to assure that a person's income and assets are more realistically assessed and accounted for. These changes include: exclusion of welfare benefits from retrospective monthly accounting; reducing the time period in which a couple must be separated before one's income will not be counted as the other's; improvement in how the one-third reduction is applied; modifications to the transfer-of-assets penalty; and exclusion of real property when it cannot be sold.

Second, some individuals, particularly some disabled widows and some disabled adult children, need to be deemed eligible for SSI when they begin to receive social security benefits. This will assure that their critical need to retain Medicaid benefits is met.

Third, there are a few provisions which contain expiration dates which need to be extended, and there are a few glitches that need to be clarified.

Fourth, modest changes in payment to individuals temporarily residing in institutions will increase the likelihood of their release and decrease the likelihood of homelessness upon their release. This applies both to mentally ill individuals and to elderly and disabled people who spend very short periods of time in nursing homes, perhaps after a broken hip, after having been released from a hospital. This will permit them the opportunity to maintain their home in the community and allow them an out from the institution.

Fifth, residents of nursing homes are desperately in need of an increase in the personal needs allowance, which has remained at $25 per month since the SSI program began in 1974. My written statement discusses these provisions and others in much greater detail.

While these provisions are relatively minor when compared to the other proposals being considered here, each one, if passed, would substantially improve the lot of some SSI applicants and recipients. Unfortunately, it only takes one small glitch or one unnecessarily rigid rule to wreak havoc upon the income security of an elderly or disabled SSI applicant or recipient.

Last year the subcommittee passed many of the provisions which are included in Representative Matsui's bill. However, as you know, after the bill H.R. 5595 passed the House, virtually all those provisions were stripped from the bill before the final versions were passed by both houses. I urge the subcommittee to act to move these provisions as soon as possible.

Thank you for once again considering these provisions.

[The prepared statement of Ms. Sweeney follows:]

TESTIMONY OF

EILEEN P. SWEENEY

NATIONAL SENIOR CITIZENS LAW CENTER

I am a staff attorney at the National Senior Citizens Law Center (NSCLC). Thank you for inviting me to testify today.

NSCLC is a national legal support center funded primarily by the Legal Services Corporation. We also receive funds from the Administration on Aging. We provide legal services and aging advocates with assistance in addressing the legal needs of their elderly and disabled clients. I specialize in SSI and Social Security and, as a result, am in daily contact with legal services attorneys and paralegals and aging advocates concerning their clients' Social Security and SSI problems.

I am very pleased to testify in support of the SSI bill which Representative Matsui is introducing, the SSI Amendments of 1987. While its cost is extremely modest, its provisions are well-designed to eliminate numerous problems in the SSI program. They have created a great deal of suffering and misfortune for many SSI applicants and recipients. This bill refocuses the SSI programs onto the needs of those receiving benefits and, as a result, should improve the administration of the program as well as the lives of those affected by the program.

While the main focus of my testimony is the Matsui SSI bill, there can be no doubt that indigent elderly and disabled individuals would benefit greatly from more expensive provisions proposed by the other members of this panel. Attached as an appendix to my statement are brief profiles of elderly women who have written to me in recent months. All receive a Social Security disabled widow's benefit that puts them just over the SSI level. Each of these women is representative of thousands just like her whose lives would be improved by increasing SSI to at least the poverty level and by increasing the resource limitation.

Because each provision focuses on a particular glitch or problem, the next sections of this statement discuss various sections of the bill separately.

Section 101. Increase in the personal needs allowance.

The personal needs allowance for SSI recipients residing in nursing homes and other institutional settings has been $25.00 since the creation of the SSI program over 13 years ago.

As the testimony before this Subcommittee on exactly this issue in 1984 reflects, nursing home residents rely very heavily upon their $25.00 SSI benefit to supply themselves with items and services which most of the rest of us avail ourselves of without great thought: long-distance telephone calls, postage stamps, stationery, reading materials such as newspapers and magazines, a can of soda, a birthday card for a grandchild, a meal away from the nursing home with friends, bus or taxi fare, and clothing.

This very small amount provides the resident with the ability to maintain her dignity and some modicum of independence.

Over the years, as the cost of living increased without comparable increases in the PNA, the value of this benefit has been substantially diminished. Section 101 will increase the PNA by $10.00 each month. Even this modest amount will be very beneficial to nursing home residents and greatly appreciated.

Section 101 also includes two very important provisions which will assure the continued value of the $10.00 increase. First, states which now supplement the PNA will be required to pass through the increase. Second, the bill will require that, in future years, the PNA will be increased by the cost-of-living adjustment applicable to all other SSI benefits.

Section 102. Continuation of full benefit standard when the person is in temporary medical or mental institutional care.

Section 102 will permit a person who is temporarily in a medical institution or a public mental hospital to continue to be eligible to receive the full SSI benefit for three months. In order to benefit from the provision, it must be determined that the person's stay in the institution will be three months or less and that this income is needed to assure that the person can maintain living arrangements to return to when s/he is released.

This provision provides at least two benefits: (1) it increases the chances that some individuals will be able to return more easily to the community from institutions; and (2) it should decrease the number of individuals who become homeless after being released from institutions. It will be beneficial not only to mentally ill individuals but also to those elderly individuals who must temporarily enter nursing homes to recuperate from problems such as broken hips. This will greatly increase the likelihood that their stays will be temporary, because they will still have a home to which to return.

Section 111. Retention of Medicaid upon loss of SSI benefits upon entitlement to early widow's or widower's insurance benefits.

This provision provides relief to a group of disabled SSI recipients who are forced to relinquish all health care coverage when SSA forces them to apply for another, non-disability benefit and, as a result, lose SSI eligibility. Typically, the SSI recipient is a widow who is disabled. When she first applied for SSI at age 54, she also applied for Title II disabled widow's benefits. The test for widow's disability under Title II is extremely restrictive. It does not take into account factors considered in the worker's disability/SSI standard such as the person's age, education, and work experience. Very few widows qualify for the benefit. Instead, because she meets the SSI disability standard and has such low income and assets, she receives SSI. In most states, she will also receive Medicaid as a result of receiving SSI. This is often critical because her disabling condition requires medical treatment. Until she reaches age 60, all goes well--she receives both SSI and Medicaid. However, at age 60, the first time that she is eligible to receive Title II surviving spouse's benefits, SSA informs her that she must apply for those benefits. When she is found eligible, if her Title II benefit exceeds the SSI level by $20.00 (the unearned income disregard), she loses not only her SSI eligibility but also Medicaid eligibility. Because she is not 65 nor receiving benefits as a disabled person, she is not entitled to Medicare coverage for five years. During that five year period, this woman whom SSA has already agreed is disabled and who, by definition, has virtually no assets to fall back upon, is left to handle her health care costs on her own.

> Alice Quinlan, of the Older Women's League, testified before this Subcommittee in May, 1984, about a disabled widow who had written to OWL. "She needs total knee replacements and has been on crutches for

> the past five years. The problem wasn't diagnosed when she was on SSI....She wrote to us, 'I need some answers and I just don't know where to get them. I cannot get Medicare until March, 1985, how can I get an operation on my knees?'"

NSCLC receives calls about this problem regularly.

Under §111, the widow(er) who is forced to take the somewhat higher Title II benefit at age 60 will be deemed to be eligible to receive Medicaid. This is the approach taken by the Congress in §12202 of P.L. 99-272 for disabled widow(er)s hurt in a similar fashion by the 1983 increases in benefits to some disabled widows. In §12202 of COBRA, Congress deemed these individuals, almost all of whom are women, to be eligible for Medicaid.

While the cost of this provision is minimal, the benefits to the individual are enormous. Passage of §111 will eliminate a major source of financial distress for these women while also assuring that they are able to secure health care.

This provision will apply to women who are between ages 60 and 65 on the effective date as well as to women who become age 60 after that time. Because it is critical that these women be told of their right to regain Medicaid eligibility §111 requires the Secretary[1] to notify these women of the change in the law and that they may now be eligible to receive Medicaid.

Section 112. Extend Medicaid coverage to individuals who become entitled to Social Security disabled adult children's benefits prior to July 1, 1987.

Last year, Congress provided that disabled SSI recipients who become entitled to Social Security adult disabled children's benefits will be deemed eligible for SSI for Medicaid purposes. See 6 of P.L. 99-643; 42 U.S.C. §1383(c). This provision takes effect on July 1, 1987 and only applies to individuals who first become entitled to Social Security benefits on or after that date.

Section 112 extends the benefit of §6 of P.L. 99-643 to those disabled individuals who first become entitled to receive Social Security prior to July 1, 1987. However, no benefits would be payable to them for months prior to July 1, 1987.

The policies which supported passage of §6 of P.L. 99-643 are equally applicable here. A disabled adult's SSI eligibility (and therefore Medicaid eligibility) should not turn upon the death, retirement, or disability of the worker parent. The Medicaid benefit is of critical importance to these individuals: the small increase in income they receive cannot possibly substitute to cover their health care costs. Section 112 would simply put those disabled adult children who become entitled prior to July 1, 1987 on equal footing with those who first become entitled after that date.

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[1] It is critical that SSA issue this notice centrally based upon its computer records. Last year, in §12202 of COBRA, Congress provided SSI deemed status to another category of disabled widows. Unfortunately, apparently at the Secretary's request, the notice section required SSA to give the computer lists to HCFA who in turn was to give them to each state which would then each issue a notice. The result of this approach has been a great deal of confusion, serious questions about the number of states which have ever issued notices, and the quality of the notices (all different) which have been issued. These benefits are too important to the women involved to leave them at the mercy of such a convoluted process, especially when SSA has the capability to issue one uniform notice to the women involved, all at once, at substantially reduced cost to SSA, HCFA and the state agencies.

Section 113. Extension of time for disabled widows to apply under §12202 of COBRA.

In 1983, in the Social Security Amendments of 1983, P.L. 98-21, Congress raised the benefits of many disabled widows by providing that the lowest benefit a disabled widow could receive is 71.5% of the worker's primary insurance amount (PIA). The widows who benefited from this provision had begun receiving widow's disability benefits before they became 60 years old. Because their benefits had been so low, many of these women also received SSI and Medicaid. When SSA increased their benefits in 1984 (due to the 1983 provision), many lost their SSI and Medicaid.

In 1986, Congress deemed these widows eligible for SSI. See §12202 of P.L. 99-272, adding 42 U.S.C. §1383c(b). In order to benefit from the provision, widows must apply to their state Medicaid agency by no later than June, 1987. As noted in footnote 1, *supra*, the notice process included in the statute has proven to be quite cumbersome. While these women have been eligible for Medicaid since last July, 1986, many states have not told women in their states about the provision. In the fall of 1986, NSCLC obtained the names and addresses of the women from SSA through a Freedom of Information Act request. With financial assistance from the American Association of Retired Persons (AARP), we sent a notice to the widows telling them to apply for Medicaid. The letters we have received since then indicate that many of these women are being denied Medicaid by the states or told not to apply, because state personnel do not even know about the provision.

As a result of these implementation problems, none of which have been within the control of the disabled women intended to benefit from the provision, it is critical that the period of time for filing under §12202 be extended for at least one more year.

Section 121. Exclusion of real property when it cannot be sold.

Until the last couple years, it was SSA's policy to exclude from resources any real property which a person could not sell because it was jointly owned, there was another legal impediment to its sale, or no one wished to purchase it. There has been a major shift in SSA's policy so that it now treats the value of such real property as a countable resource even though it is not available to meet the individual's needs. The result has been the arbitrary termination of many SSI recipients as well as the denial of other individuals' applications.

This issue usually arises in one of three basic fact patterns:

1. The person owns a piece of property that is undeveloped and largely (or completely) inaccessible. Pursuant to SSA's rules, s/he tries to sell it, but no one is interested in purchasing it. Now, SSA treats the value of that property as an available resource.

2. The person owns an interest in a piece of property; often, there are many other family members who also own an interest in the same piece of land. In the past, because others also owned the property and were not willing to sell it (often because it had been passed through the family for generations and was all the land many of them could claim ownership of), SSA excluded its value as a resource. Now, SSA counts it.

3. The person owns property in joint tenancy with someone other than their spouse, often a son or daughter or a sibling.

   In one case I have learned of recently, two elderly sisters in West Virginia jointly own their home. One of the women has been moved to a nursing home and is not expected to return to her home. The state Medicaid agency, based on its understanding of SSA's SSI policy, has found the sister in the nursing home to be ineligible for Medicaid because she now owns real property in which she does not reside. This is true even though federal policy clearly dictates that the second elderly sister is entitled to remain in her own home.

Section 121 simply returns SSA to its earlier, more reasonable policy, by providing that where real property cannot be sold, is jointly owned, or sale is barred by another legal impediment, the value of that property will be excluded from consideration as a resource.

Section 122. Modification of the transfer of assets penalty.

Currently, even the transfer of a small asset for less than fair market value can result in the person being barred from the SSI program for two years. Section 122 will make two improvements in that penalty by (1) permitting the Secretary to waive the penalty where it "is necessary to avoid undue hardship," and (2) eliminate the penalty where the amount involved is less than $3,000. These two provisions should help to assure that some individuals who innocently made transfers are not unfairly penalized.

Section 301. Special notice to blind recipients.

Section 301 requires SSA to provide special notice to individuals who receive SSI on the basis of blindness. These individuals would have the option of receiving a supplementary notice either by telephone or certified letter whenever SSA intended to take an action in their cases.

It may be useful to require the Secretary, perhaps one year after the effective date, to report to the Congress on how this notice option is working. There are many other individuals, including elderly SSI recipients with vision problems that have developed or worsened since they became 65, who could also benefit if the option was extended to them.

Section 401. Improvements to the application of the one-third reduction.

Currently, §1612(a)(2)(A)(i) of the Act, 42 U.S.C. §1382a(a)(2)(A), provides that where an SSI recipient is living in the household of another and does not pay his/her reasonable share of the household expenses, the person's benefits will be reduced by one-third.

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Two major problems arise from basically the same set of facts:

> When a person applies for SSI, s/he usually does not have much money. Frequently, the person's family will shelter and feed the person while s/he awaits SSA's decision on the application. After the application is granted, SSA makes two determinations:
>
> 1. The amount of the monthly benefit which the person is entitled to receive currently.
>
> 2. The amount of the benefit which the person should receive for each month in the period from the date s/he applied until the month of the ongoing benefit award.
>
> The one-third reduction plays a critical role in both of these determinations:
>
> 1. If the person was not paying his/her share of the household costs while s/he awaited SSA's decision, SSA sets the monthly benefit level for the current month at 1/3 less than the full benefit. This is true even though the person fully intends to pay his/her share as soon as benefits are available. As a practical matter, the 1/3 reduction will continue for many months (possibly years) until SSA redetermines the person's eligibility.
>
> 2. If the person's family actually loaned him money to pay his share while he awaited SSA's decision, SSA will not reduce the person's benefits by 1/3 and, in determining the back award will also pay the full benefit for each month since the date of application. But, if the family instead loaned the person what he needed in in-kind assistance (i.e., food, paying his/her share of the rent), SSA ignores this and reduces both the current benefit and the back award by 1/3 for each month. This occurs even though the person intends to repay his family.[3]

Section 681 remedies these two problems in a way which will more accurately reflect the living circumstances of SSI applicants who are found eligible to receive SSI:

- First, the bill presumes that the person assumed his share of the household expenses since the time s/he applied. (Therefore, it won't matter whether the "loan" was cash or in-kind.)

- Second, if the person states in writing that s/he intends to pay his share of the household expenses in the month of payment and future months, the one-third reduction will not be applied to the current benefit. (However, if the person does not do as s/he indicated, an overpayment will result.)

Both of these provisions will help SSI applicants and recipients in a number of ways: (1) the SSI recipient will not be unnecessarily subjected to months of underpayments based upon the person's living arrangements while s/he lacked funds; (2) s/he will be better able to exist on more equal financial footing within the household; and (3) families, often economically fairly marginal themselves, will not be discouraged from assisting elderly and disabled relatives when they are absolutely without income.

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[3] The Fifth Circuit Court of Appeals has ruled that SSA's position violates its own regulation. See Hickman v. Bowen, 803 F.2d 1377 (5th Cir. 1986).

Section 402. Title II back award excluded from income in SSI.

In 1984, the Congress recognized the unfairness of counting either a Social Security or SSI retroactive award, often a substantial amount of money, as a resource in SSI in the month after it is received. Noting the need to determine how to use the funds wisely, the Congress excluded the back awards from consideration as a resource for six months.

Unfortunately, there has been one glitch: while the Social Security[3] retroactive award is now an excluded resource for six months, SSA still treats it as income in the month in which it is received, if the person did not receive SSI benefits in the months covered by the Social Security retroactive award, 20 C.F.R. §416.1123(d). Usually the retroactive check arrives after the person has already begun to receive monthly benefits. For the individual who is concurrently eligible, receiving a Social Security benefit supplemented by a small SSI benefit each month, receipt of the Social Security back award results in the person being over income for one month and losing all SSI and Medicaid for that month.

When Congress enacted 42 U.S.C. §1382b(a)(7) in 1984, it clearly did not contemplate or endorse this result. Section 402 simply corrects this glitch.

Section 403. Perfection of the burial trust provision.

Like §402, this provision corrects a bizarre, unintended result of an earlier provision which was intended to benefit SSI recipients.

Section 1613(a)(4) of the Act, 42 U.S.C. §1382b(d)(4), currently permits the Secretary to exclude from income any interest earned on a burial trust (or any appreciation in its value). However, as it is currently written and applied by the Secretary, this exclusion only applies where the value of the burial trust, when combined with other resources, exceeds the general resource limit. So, if a person's resource level is so low that both her burial trust and her other resources do not exceed the $1,800 resource limit, the interest is counted as income to her. But, if she has close to $1,800 in resources and a burial trust of up to $1,500, her interest income is excluded.

Section 403 corrects this arbitrary, unintended result by excluding interest income on burial trusts, even where the value of the trust, when added to other resources, does not exceed the resource limit.

Section 404. Exclusion of welfare benefits income in retrospective budgeting.

Some individuals who ultimately are found eligible to receive SSI are receiving another welfare benefit, such as AFDC, before their SSI benefit begins. Because SSA applies retrospective monthly accounting (RMA) in these cases, SSA reduces the SSI benefit for the first two months even though the other benefit has been terminated and the person could not possibly have the funds available to cover his/her needs in those months.

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[3] SSA excludes the SSI retroactive award as income in the month in which it is received.

Unfortunately, individuals who live on welfare constantly walk a very thin line in terms of preserving their security and their sanity. The use of RMA in counting other welfare benefits which occurs in the first month of receipt of SSI and the following month is so financially devastating that it can tip the balance so far that it is virtually impossible for the SSI recipient to regroup. The following example, which was current in September, 1986, highlights in the most stark and depressing terms the "domino effect" caused by SSA's use of RMA in the first two months of receipt of SSI:

> Miss H. lives in Chicago, Illinois. She is 24 years old and has two children, ages 11 and 7. She suffers from hypertension, anxiety reaction, and arthritis. Prior to September, 1985, she received AFDC for herself and her children in the amount of $341.00. (The Illinois Department of Public Aid's rules state that $153.00 of this amount is for the children while $188.00 is for the parent.) Due to her impairments, SSA found Miss H. eligible to receive SSI. In the first month in which benefits were paid, September, 1985, SSA sent her $137.00. (The SSI benefit level minus the parent's portion of AFDC.) Meanwhile, her AFDC was reduced to $153.00. As a result, her total income for September was $290, $50 less than what she had previously received on AFDC.
>
> Just prior to these benefit changes, Miss H.'s children were taken from her by the Department of Children and Family Services (DCFS) because they had been abused by another relative. Upon her agreement to keep the children away from the relative, DCFS planned to return the children to her. However, due to the reduction in her income in September, she was unable to pay her rent. Her landlord immediately evicted her, barring her from obtaining some of her possessions. Until November 1, she was homeless. Because she had no home, DCFS refused to return her children. She finally secured emergency housing in a public housing project, the same project she had moved out of after her 11 year old daughter had been raped. Within two weeks, her apartment there was vandalized. She suffered a nervous breakdown and was hospitalized in the psychiatric wing of a Chicago hospital for three months. In September, 1986, one year after she received her first SSI check, she still had no home and still did not have custody of her children.
>
> With a full SSI check in September, 1985, Miss H. could have paid her rent. Her life, and her children's lives, could possibly be very different today.

Section 404 bars the use of RMA in these circumstances. The benefit this provision would offer to elderly and disabled individuals caught in this situation cannot be understated.

Section 405. Eligibility of couples living apart.

This provision reduces from 6 months to 1 month the period during which a couple must live apart before they will be treated as separate households for SSI eligibility purposes.[4] This provision is critical to many aged, blind and disabled women who, once separated from their spouse, often have no source of income. This is often true in violent, abusive situations, but it is also true in cases of desertion or any time where one spouse controls all of the couple's finances.

The bill includes one very important exception to this rule: where the SSI applicant has been the victim of domestic violence or is in need of emergency relief due to reasons such as homelessness, the Secretary will be required to waive the one month rule. This provision recognizes very clearly that, for individuals in these positions, even the one month rule would produce harsh results.

Conclusion

Thank you for providing me with this opportunity to testify in support of Representative Matsui's bill. The provisions are well-conceived, very reasonable and well-designed to target problems which exist in assuring that the income and assets of elderly and disabled persons are realistically assessed.

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[4] This provision amends the definition of "eligible spouse" in the statute, 42 U.S.C. §1382c(b). This reduction to one month parallels SSA's current treatment of income where an SSI applicant or recipient is married but the spouse is not treated as an eligible spouse. 20 C.F.R. §416.1163(e)(2) provides that where a person separates from an ineligible spouse "we do not deem your ineligible spouse's income to you to determine your eligibility for benefits beginning with the first month following the event...."

APPENDIX A

Below are examples of six women, residing all over the U.S., all of whom are finding it impossible to live on their Social Security benefit. In each example, the woman's benefit is above the current SSI level. If the SSI level was raised to the poverty level, each of these women would be eligible for SSI and would receive an increase in her income.

Ms. B. of Sandpoint, Idaho, writes of her mother, Mrs. I.:

> "She is 61 years old. She gets $364.00 Social Security and pays most of that out for her medicines. She is very disabled. Her physician will back me on [this]. They don't really know how long she gots. She is a widow of a veteran. They have cut off her Veteran pay...."

Ms. L. of Center, Texas, writes of her mother, Mrs. B.:

> "My mother is a disabled widow who receives $401.00 a month. She was cut off from Medicaid. Now she has no medical coverage at all. She has heart trouble, arthritis, hiatal hernia and depression. She can only afford her heart pills ($32.50 a month) and is quitting her anti-depressant pills and other medications because she can't pay for them."

Mrs. G. of Gurdon, Arkansas writes:

> "I receive $400.00 a month and pay $100.00 for my drugs I must take and $96.00 for rent....I am 61 years old and I am not able to work. I have no one to help me....My rent...will go up again soon...."

Mrs. B. of Silver City, New Mexico writes:

> "...I have had cancer surgery, a year ago, and I have been cut so badly under my right arm and across my back, it still hurts....I get $352.00 and I have to pay rent, electric bill, and gas bill so far, last winter they helped me with the gas bill. My rent is going up the first of January, 87. I do not know what to do as I am 71 years and have to get my rotten teeth out. I thank God every day for his help....All I am allowed for food stamps is $34.00 and you know how far that goes."

Mrs. B. of Kosciusko, Mississippi writes:

> "...Now my check is $354.00, that is all I get....So, I just have one check to do everything with it. Try to buy a house, utilities, and food. But, by the help of the Lord I will make [it]."

Mrs. C. of Waverly, Ohio, writes:

> "I only get $344.00 a month now. That isn't much the way things are now. [It is] all the income I have. I thought about calling but I have a hearing problem...."

Chairman FORD. Thank you.

Mr. Downey.

Mr. DOWNEY. Thank you, Mr. Chairman.

Just so the record is clear, the reason that I used the SSI level—as should be obvious to you, I have no argument that the SSI level is any princely sum, far from it; I would be happy to support Mr. Matsui's bill and do whatever I can to help the elderly poor, especially those who live in isolation—is I think it is essential.

Mr. Howard, I read yesterday the report of the study that was done. (A) I would appreciate if you have a copy, I would like to see one. (B) I couldn't agree with you more about some of the ideas that you had in terms of financing it, reducing, for instance, the exemption on estate and gift tax from $600,000 to $400,000. I think you estimate that that would give us $1.5 billion. It is a very good idea, as well as changing the capital gains rate in terms of when that is passed on.

One is hard-pressed to understand what the argument against it is, other than the fact that rich people would like to be able to leave their children more in the way of their accumulated wealth. The whole reason we have estate and gift taxes is that they can't do that, or do it quite the same way as it has been done over the years. We have decided that we want to encourage people to go out and work themselves and not have a system that grew up in Europe, which is precisely why we have a United Stats of America as opposed to the European system of just having a lot of rich people who sustain their wealth.

While our subcommittee doesn't have jurisdiction, we fortunately serve on a full committee that does; namely, the same one. While I can't guarantee that the money—and I had intended to do something just like that anyway, to raise revenue this year, and I welcome the report and the work that you have all done.

I would beg you to understand that my concern here is that clearly an 85-year-old woman, Ms. Davis, that you are suggesting is in a vulnerable position—and no one would dispute that—but one could make a very powerful argument that a 2-month-old child in Alabama is in an equally vulnerable position, and the resources for that child are a fraction of what even that vulnerable elderly 85-year-old woman receives, which is a completely unacceptable situation.

And I might add, it's a situation where there would be those who would like to see you and I argue over the table crumbs, which is essentially what this discussion is about. I will not get in that position.

I am happy to vote for increases for you, and I am pleased that you are here to testify in support of the work that Mr. Ford and the other members of the subcommittee have done on the other end of the aid spectrum. Both need it and both deserve it.

And at least for myself, Mr. Chairman, we intend to try to give it to them.

I would like to ask the question how we get the people who are eligible for SSI who don't receive it, to receive it. You suggested tentatively, Ms. Davis, the question of radio and television advertisements, and that is a good idea. I am always a little worried about doing that because then I have to listen to Paul Harvey someday and do a spot on why the Government is advertising people to go on welfare. You know, he's painful enough to listen to, but when he makes accusations of this sort, it seems to me that we wind up building in a number of people who are opposed to the very thing we want to do because we have made it a public policy.

I would be happy to hear from you. I will stop talking.

Ms. DAVIS. Well, we do think it's very important to try to find effective methods of outreach, and we will be funding that private sector demonstration with private sector funding.

But I was very impressed by some of the reports in your green book about some of the former outreach efforts by the Social Security Administration. Now, I indicated that most of the approaches used mail stuffers. But there clearly was some effect in 1983 from that effort, and I think there may need to be a more sustained ongoing effort of that nature as well.

Ms. SWEENEY. I think that it is important to note that unless the Congress mandates that, it will never happen.

Mr. DOWNEY. Yes. Well, it's certainly not going to happen with this crowd if we leave it to them.

I have no further questions for the witnesses.

Chairman FORD. Ms. Sweeney and Ms. Davis, I apologize for being out of the room when you gave your oral testimony.

But questioning housing, Ms. Davis, housing costs for the elderly certainly vary by whether or not they own their home or rent a place in which to live.

What did the survey indicate as to the percentage of the elderly own their homes versus those who rent homes, rent the apartments?

Ms. DAVIS. We did find that elderly people who live by themselves are somewhat more likely to rent and somewhat more likely to be in apartments. But you still have a majority of people who own, kind of a bare majority of the elderly who live alone, own their own home; and about 70 percent of the elderly couples own their own home.

Chairman FORD. But in single individuals, you still have a slight majority that own their homes?

Ms. DAVIS. Yes. About close to half who are renters. But again, if people own, they have large maintenance bills. We have looked at the housing value—it tends to be very——

Chairman FORD. What is usually the value you see?

Ms. DAVIS. The great bulk of it, actually, is a net equity of less than $25,000. So we are not talking about mansions. We find very few of the elderly who live alone who have any considerable net housing value.

Chairman FORD. Thank you.

Mr. HOWARD. If I could just add, Mr. Chairman.

Chairman FORD. Sure.

Mr. HOWARD. It's also pretty clear that overall—I don't know what the sample of elderly living alone would show—but overall the housing stock that is owned by the elderly tends to be somewhat more dilapidated than general housing stock. Substandard housing constitutes about 30 percent, I think, of the housing for older people. It's a higher percentage than for the general population.

Chairman **Ford**. So that's true for singles as well as couples, right?

Mr. **Howard**. Yes.

Chairman **Ford**. What is the cost—and you might have said it already in your testimony—what is the cost of the Matsui proposal for the SSI program?

Mr. **Howard**. Well, Mr. Chairman, there are two answers to that question. There is, as Ms. Sweeney testified to, a bill that really has only one major cost item, which is an increase in the personal-needs allowance in nursing homes. To do that for the 200,000 people who get an SSI institutional benefit would cost on the order of $20 to $22 million a year, which I understand, if all goes well, is fully included in the House budget resolution as part of the long-term care initiative by Congressman Schumer.

There is a much broader set of recommendations to raise benefits directly that is much more costly, and, in effect, whatever we can raise we can spend. It would cost anywhere from $4 to $7 billion a year to raise the benefit level under SSI to the poverty line. That would include an increase in the resource test that would get you back somewhere close to where it should have been.

But for example, if you wanted simply to raise the resource test to the 1974 level—which we would urge the subcommittee to do immediately—it would cost $20 million the first year if you did nothing else.

Chairman **Ford**. $20 million?

Mr. **Howard**. $20 million, that's correct. It would simply restore what the $1,500 asset limit for an individual in 1974 would be today, which would be about $3,250. And it is relatively cheap, and it would entitle a number of people who have the lowest incomes among the poor elderly, if you will, not only——

Chairman **Ford**. Do you think that we ought to do something in this welfare package with the supplemental security income program?

Mr. **Howard**. That is really a tactical question that I would prefer to leave to your and your subcommittee members.

Chairman **Ford**. I mean, what do you suggest?

Mr. **Howard**. We would love to see it included on two conditions, I guess. One is that it not be seen as a diversion. We wouldn't want it to weigh down the welfare reform bill, generally make another target that is going to make it more difficult to pass. Second—and it's really a variation of the first point—is that we can come up with a financing mechanism that may not please everyone but pleases enough people that it doesn't increase the net cost or the extent to which the bill generally increases the deficit.

Chairman **Ford**. I have a question here that the staff has passed on. It says: One of the concerns that the subcommittee has had in the past related to the increasing of the personal-needs allowance of residents of nursing homes was that the nursing homes would increase their charges for such items as laundry and really negate the increase that would be passed on under SSI.

How do you respond to that?

Mr. **Howard**. Well, it's a real danger, and it would not be a danger at all if the administration and previous administrations—this isn't a partisan comment—had promulgated regulations that

Congress required them to back in 1978 to spell out exactly what gets covered in the nursing home rate, reimbursement rate.

We have been working with Congressman Waxman and his staff, who assure us that they are prepared to dictate the promulgation of those regulations so that we can be sure that when we put $10 in people's hands, it will be used for personal needs and not to increase the reimbursement for laundry costs.

Chairman **Ford**. What is Mr. Waxman's proposal saying? I am not clear how we would avoid it. What is he saying?

Mr. **Howard**. In effect he will spell out, in either statute or report language, what is to be covered in the Medicaid reimbursement rate, and therefore States won't have the problems they have making sure that laundry gets covered, that people get soap, that people get their hair cut and not charged for it out of their personal-needs allowance.

Chairman **Ford**. Ms. Sweeney, would you like to respond?

Ms. **Sweeney**. There are issues like that where people have had to pay for medicine and other orthopedic equipment and shoes. So it is very important that that part be tied to the provision. But I think people have been extremely patient with this since 1977, and the Congress since then has instructed them again to issue the regulations, and they actually did issue a set, which they withdrew at the last minute. If they had implemented them, they were actually quite good. That was about 5 years ago.

In fact, it's possible to create the protections if they will just issue the regulations. Congress has really done its part, or thought it had done its part.

Chairman **Ford**. Well, as chairman of the subcommittee, I plan to work very closely with Mr. Matsui and to carefully study the question of whether or not we should look into this area of SSI as we try to mark up the welfare reform package. We have discussed it earlier this week. I plan to meet with Mr. Matsui in the next couple of days to try to make a final decision.

We will move into a markup session tomorrow, but it is not the intent of the subcommittee to really take up any amendments tomorrow other than for the purpose of discussion. I will be working with Mr. Matsui on whether we should look into this area.

Mr. **Howard**. Could I just add, Mr. Chairman, I said to Mr. Downey that I don't presume to speak for every aging organization, but we are in pretty close contact and we are kind of the unofficial coordinators of an SSI coalition, that all of those organizations are committed to helping you enact welfare reform. Whether or not there is an SSI component to it, we want to see this legislation passed.

Chairman **Ford**. Thank you very much. I would thank each member of the panel for coming and being so patient and waiting your turn to testify. Thank you very much.

This will conclude today's business of the Subcommittee on Public Assistance and Unemployment Compensation. This will also conclude 2 years of witnesses testifying before this committee, and we can say today that this is the end of witnesses testifying on welfare reform.

It has been a very helpful experience for me as chairman of this subcommittee for the past 2 years. We have tried in every way to be very open to the public, and I am sure that there have been those who were not able to testify, but we have tried in every way to accommodate as many witnesses throughout this Nation who have wanted to make a contribution to welfare reform.

We will conclude the business today of the witnesses testifying on welfare reform, and we will start tomorrow morning at 10 marking up a welfare reform package.

With that, the committee stands adjourned.

[Whereupon, at 2:30 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF ANTHONY DINALLO, DIRECTOR, BUREAU OF CHILD SUPPORT ENFORCEMENT, DEPARTMENT OF HUMAN RESOURCES, STATE OF CONNECTICUT

Mr. Chairman and Members of the Subcommittee: The State of Connecticut Bureau of Child Support Enforcement is grateful for the opportunity to present its concerns and recommendations regarding H.R. 1720: The Family Welfare Reform Act of 1987.

Our comments will be limited to Title V of the Act, the Child Support Enforcement Amendments.

First let me assure you that Connecticut shares your concerns about the many children who are not receiving the financial support which they are entitled to. Even in our great State, where much progress has been made in recent years in the Child Support Enforcement program, the basic problem still persists: currently we are collecting only 60 to 70 percent of the collectible charges for non-AFDC families and slightly over 40 percent for AFDC families.

We also share your enthusiasm for an effective Child Support Enforcement program and are committed to the upgrading of our support enforcement processes. In recent months we have been successful in securing passage of legislation to establish (6) six family support magistrates for the specific purpose of handling child support matters. Many other significant legislative mandates were enacted last year by our Legislature; mandates which are designed to increase the ability of custodial parents and children to obtain financial support from the absent parent. We applaud the Congressional effort to improve the Child Support program and provide the necessary guidance to states for the uniform implementation of key enforcement processes. The Federal Child Support Enforcement Amendments of 1984 unquestionably provided the necessary incentives for states to pursue more effectively the enforcement of support payments from delinquent parents. It is in the spirit of this bipartisan effort that we wish to caution you about the far reaching impact of some of the provisions contained in H.R. 1720 and the need to carefully reassess the feasibility of implementing some of its provisions. Specifically,

1. *Automatic Updating of Child Support Orders.*—While we support the idea of automatic adjustments in support orders based on changes of the parties financial conditions, we believe that the implementation of automatic adjustments can only occur in those states with an automated system capable of providing the necessary tracking and monitoring of cases. Many states, including Connecticut, are currently developing such automated systems. However full implementation is months and perhaps years away in some cases; therefore we believe that the proposed time frame for the implementation of automatic adjustments in support orders should be extended to enable states to develop and/or secure the necessary automated systems.

2. *Costs of Paternity Determinations Excluded in Computing Incentive Payments.*—We strongly support the provision that the costs of paternity determinations be excluded in computing incentive payments. Since incentive payments are based on the cost effectiveness of state child support programs, and since paternity determinations do not necessarily result in child support collections, it seems logical to us that the costs of such determinations must not be included in determining cost effectiveness and computing incentive payments.

3. *Demonstration Projects to Address Visitation Problems.*—The problems of visitation in Connecticut have been adequately identified and efforts to deal with such problems are underway. It seems therefore, at least from Connecticut's point of view that while federal funding for projects to address visitation problems is perhaps still desirable, there is an even more compelling need to provide federal financial participation in costs incurred by the states to implement new processes for the expeditious resolution of visitation disputes.

4. *Disregarding of Child Support Payments for FSP Purposes.*—We believe that the present provision for the pass-through to an AFDC family of up to the first $50 of current support collected by the Child Support Agency represents in our view an unfair distribution to AFDC families of child support payments collected. Since in most cases the custodial relative in an AFDC case is unable to impact the collection of a child support obligation, and since states and/or local jurisdictions tend to prioritize enforcement efforts, it would seem to us that a more equitable distribution of child support payments collected for AFDC cases could be achieved by allowing states to use a certain percentage of AFDC collections (we recommend 10%) and distribute it to all active AFDC families, who have assigned their support rights to the states. The checks should clearly be marked child support pass-through payments. Such distribution methodology would continue to encourage the AFDC custodial parent to participate in the enforcement effort, would eliminate the current administrative nightmare caused by the pass-through payments and, finally, would continue to stimulate collection efforts on the part of the states.

5. *Requirement of Prompt State Response to Requests for Child Support Assistance.*—We believe there are already adequate Federal standards to insure prompt state response to requests for child support assistance. The establishment of more stringent standards will only cause non compliance on the part of some states, make the program costlier in some others, and finally, could cause a backlash with some local legislative bodies.

We believe there has been a significant number of new Federal requirements imposted on states in the past two years. It is time now to give us an opportunity to implement those requirements and make them work. It may take two to three years to see some results; there is no quick fix in child support.

6. *Automated Tracking and Monitoring Systems Made Mandatory.*—As we have stated in the past, we believe that the tracking and monitoring of all child support orders entered in a state will require a significant increase in the number of staff assigned to the program. Even where automated systems are available, staff will be needed to do follow-up work on delinquencies. We estimate that the number of such delinquencies could conceivably double in one or two years, if the tracing and monitoring of all support orders become mandatory. In Connecticut the automated system currently under development would need to be expanded much sooner than anticipated. We also believe that a mandatory tracking and monitoring of all support orders is an infringement on the privacy of those persons who do not want their respective child support obligations monitored.

Again we recommend that such tracking and monitoring be made available only to those persons who need it or want it.

7. *Costs of Interstate Enforcement Demonstrations Excluded in Computing Incentive Payments.*—We strongly support this section of the bill.

We also recommend that more specific guidance be provided by Congress to the Secretary for the establishment of specific standards the states must meet to qualify for federal funds for interstate enforcement demonstration projects and other special projects under section 455(e).

Again, thank you for giving us an opportunity to present our concerns and recommendations.

NORWALK, OH, *March 24, 1987.*

MR. DOWLEY: I would like to see all the programs consolidated. The welfare office would be able to determine who needs the help, and why. If a person is just bad with their money, they would be asked to go to the local office so that it may be discussed, and help that person.

Color-coded credit cards are what I had in mind. Each color would represent the types of programs that the user is entitled to. The cards will be distributed by the local offices or by the State, and would be used to buy food. A list of eligible persons would be distributed throughout the different concerns, such as the hospitals, the stores, the banks, and the utility companys. The slips from these would be sent for verification to the local offices to determine the amount of the next check, in a case of overuse. The amounts each recipient gets will be included on the users card, which would be redetermined at the office.

I don't know if this is at all clear. I'm not good at putting my thoughts on paper. I would have rather been able to speak, but that seems like an impossibility. This is to let you know that I am concerned and care very deeply about the extremely high cost of trying to help the poor of this nation. May God bless us richly and have mercy on us daily. Thank you for taking the time to listen to me. I do appreciate it, and think you need to know that also.

With the sincerest of intent,

CHRISTINE JUVENILE.

[Attachment]

Mr. DOWLEY: I have expressed an interest in helping to reform the welfare program. Because I have experienced this type of living in question, may I suggest that I can speak somewhat on the subject. I see people who think breathing is about as close to living as they get. As in any walk in life, there is a vast spectrum of people. Some people have more kids just to get the extra money into the household. Still others get pregnant so they can leave school, because they cannot make it in this world, as it is, and think this is a way out. We have to deal with what is, as opposed to what we want it to be. We are lost in a paper shuffle. These are not paper people and paper problems; lives do exist behind all those papers. How can you deal with what is going on, when you don't even ask the ones who live it from day to day, year in and out, what they feel. I have taken the time to outline some ideas I feel could use some attention.

Food Stamps

We currently pay for the upkeep and maintenance of the offices and machinery and all utilities and employees pertaining to that job. Then there is the expense of the paper, ink, engravers, distributors and mailing.

Then each set of food stamps are sent to each State, then to the counties, on to the people, and finally the banks. After being used in the stores they are returned for verification. This has to cost an enormous amount of money either for handling or for both.

Rent

Because it is unlikely that we will ever reach a point in time that we will no longer need homes for the less fortunate of this Nation that I address this. Rent is constantly on the rise, and people on fixed incomes are unable to pay the extra amount, and are forced to relocate. Then of course there are certain standards that the Government requires.

Utilities

It seems that people have to make hard choices, and paying utilities seems to take a beating. I don't think that we need a special office to see if we qualify for these extra programs.

Working

Going to work does not seem to be the only part of the problem. There is a need for proper babysitters, transportation, clothing, and in some cases, education and retraining. I would encourage a work incentive program. Most employers will hire an already proven worker who is laid off if it came to choices. Because there are so many unemployed, good jobs are obsolete, and in most cases do not pay enough to keep a family going. Making kids who turn 16 hand over their money for the household, just gives them the same hopeless problems that their parents were trying to avoid. These kids will probably not get any further ahead than did their parents, unless some care is taken to instill some hope for the future.

Metro, Heap, Etc.

Although these programs are a great help, they too need attention. Realize first of all that not all people who are on welfare are capable of handling their finances. Because this is a proven fact, we do have to confront this at this level. There are too many forms, and too many offices to determine who gets the extra help and why.

Allowance

When a person tries to help themself be more self-sufficient, what are the guidelines? Could we possibly have a misunderstanding of when an amount is to be taken from a person's welfare check?

Penalty

Most people try very hard to be as honest as possible, unless there is a threat for making a mistake. I find the papers very intimidating. Every paper carries this type of problem. I think stating this once, on the first set of papers gets the point across. These are not hardline criminals, and I thought, the idea was to help people.

STATEMENT OF CONGRESSMAN ALEX MCMILLAN
BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION OF THE
HOUSE WAYS AND MEANS COMMITTEE

APRIL 1, 1987

I appreciate the opportunity to submit testimony on welfare reform on the behalf of the Mecklenburg County Department of of Social Services under the direction of Mr. Edwin H. Chapin and Assistant County Manager Marie A. Shook.

Both of these individuals and their departments have taken great strides to modernize the delivery of welfare services to the people of Mecklenburg County and the City of Charlotte through innovative reforms. As a county commissioner in the early 1970's and past Chairman of the Department of Social Services, I worked to develop methods that would deal with the problem of welfare dependency to restore self-reliance. But the programs themselves, the complexity of multiple programs with varying standards, procedures and jurisdictions, frustrated much progress.

As a result of those early steps, Charlotte and Mecklenburg County now represent what I believe is possibly the best opportunity to test the innovative ideas being explored by the Honorable Harold Ford's committee as well as those presented by the Administration. In order to give these progressive steps a full chance to succeed in a pilot demonstration project, I feel it is necessary to go to an area of the country with experienced people and the organizational structure in place today. Charlotte and Mecklenburg County as well as the people who work with Mr. Chapin and Ms. Shook represent such an opportunity. Moreover, Charlotte has vigorous and innovative private sector involvement in human service opportunities to complement any government initiative.

I hope your committee will give full consideration to the information contained in Mr. Chapin and Ms. Shook's report submitted today. I believe they offer a model organization and experience by which the committee can structure their proposals on welfare reform. The implementation of similar improvements has already been proven in the way human services are delivered in Mecklenburg County and Charlotte, North Carolina.

I urge the committee to study this report to see how Charlotte and Mecklenburg County have developed one of the most efficient human services delivery systems in America today.

WELFARE REFORM COMPONENTS

Prepared by Mecklenburg County Department of Social Services, Income Maintenance Division: Edwin H. Chapin, Director; Marie A. Shook, Assistant County Manager; Linda S. Cook, Food Stamp Program Administrator; Margaret E. Setzer, AFDC Program Administrator; Mary E. Jacobs, AFDC Coordinator

We support a goal of economic self-sufficiency for recipients of our public assistance programs. Most recipients would rather be "making it on their own" than dependent upon welfare. However, many are destined to failure; they will work full-time and still not be earning enough to be self-sufficient. In Mecklenburg County, better than 99% of AFDC recipients are women. The sad fact is that a gap still exists between the earnings potential for women and men. Women, as a group, earn less than men. It may be totally unrealistic to expect self-sufficiency unless other changes occur.

We strongly support a movement toward meaningful welfare reform. Currently there are a number of proposals being introduced into Congress. We feel that any reform plan should incorporate the following components:

A. JOB PREPARATION & SERVICES

Education, training and employment services should be provided to all able-bodied clients to assist them in achieving their maximum work potential.

New training initiatives for welfare must be 100% federally funded. Local elected officials and Private Industry Councils must retain current authority over existing job training funds.

1. EDUCATION

The provision of basic and remedial skills to all clients should be the primary responsibility of the education system. The system should be improved to address the specific needs of clients and their children. The system must encourage them to finish high school or a General Education Development (GED) program. Teen parents should be required to pursue a high school diploma or GED. A year-round program is needed to reenforce basic and remedial skills of AFDC youth. Head Start should be made available to children 3 years of age and older.

2. JOB TRAINING AND PLACEMENT SERVICES

Assistance should be provided to able-bodied clients in preparing for and getting placed in jobs. To avoid duplication and waste, existing employment and training programs should be used to assist welfare clients. The full range of employment services should be provided, including skill assessment, basic and remedial education, skill training, work experience, on-the-job training, job clubs, job development and job placements. Training and employment services must be sensitive to realities of the labor market and economic factors. Clients should be given every opportunity to prepare for jobs that pay adequate wages and will keep them off welfare. Incentives should be increased and performance standards should be developed to encourage the placement of welfare clients. Greater use should be made of cash subsidies and tax credits to stimulate the hiring of clients in the private sector.

B. INCOME MAINTENANCE

1. AFDC

This program should have uniform eligibility with benefits adjusted for regional living costs. The Federal government must fully fund minimum benefit levels. Earned income deductions should be revised to strengthen work incentives which incorporate time limits to move clients toward independence. AFDC clients with children 6 months or older should be required to work, enroll in training or an educational program if child and health care are available and it strengthens the family.

2. FOOD STAMPS

Common policies and definitions for the AFDC and Food Stamp programs should be developed to eliminate current inconsistencies and conflicts which exist between them.

3. CHILD SUPPORT ENFORCEMENT

This program should emphasize an aggressive determination of paternity. Automatic wage withholding, based on a percentage of gross income, should be considered. Improved incentive payments in program administration would enhance service delivery.

C. TRANSITIONAL SUPPORT SERVICES

1. CHILD CARE

Federal support for child care costs for all clients required to work or enroll in training or education must be available. Single parents with infants should be exempted from work or training when care is not available within a reasonable distance. Federally subsidized day care for parents leaving AFDC should be available on a sliding fee scale based on ability to pay.

2. HEALTH CARE

Medicaid coverage should be extended for 12 months for clients leaving AFDC due to earnings if the job is without adequate health coverage. Flexibility should exist to use Medicaid payments to purchase medical insurance for the AFDC clients' dependents when the employer does not provide it. Federal regulations should support local options to require recipient enrollment in managed health care plans.

3. TRANSPORTATION ASSISTANCE

Time-limited federal transportation assistance funding should be available to aid the transition from welfare to work.

D. FAMILY & LIFE SKILLS

Counseling in family planning, family management, child development, nutrition and stress management should be available on a continuous basis to clients. State and local education systems and public television should also be encouraged to promote these family life skills.

E. HOUSING AND ECONOMIC DEVELOPMENT

Economic development should be used to create more job opportunities for welfare clients. EDA, UDAG and other federal housing and economic development programs should be continued and used to create job opportunities for clients. Targeted purchasing programs specialized assistance programs and tax free funds should also be used to create job opportunities for clients. Continuation and expansion of federal funding for housing repair and renovation projects should be supported. The employment of welfare clients in such projects should be encouraged. Housing development funds should be targeted toward efforts which spur the development of affordable housing for welfare clients and low income families. Efforts should encourage and promote housing development in high risk and declining neighborhoods. A mortgage subsidy program could further enhance housing development and home ownership for these populations. Such activities create new job opportunities as well as decent housing for welfare clients.

F. PROGRAM ADMINISTRATION

Federal regulations must permit more state and local flexibility to allow for common eligibility, simplification and consolidation of programs. Federally mandated programs which require state and local governments to provide additional services must also assure that sufficient federal funding follows the mandate.

Any welfare reform process must include participation by the private sector as well as local and state governments.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

DEPARTMENT OF SOCIAL SERVICES

C. PATRICK BABCOCK, Director

MARQUETTE COUNTY
DEPARTMENT OF SOCIAL SERVICES
[illegible]
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(906) 228-9691

March 27, 1987

Statement on Family Welfare Reform Act

Daniel R. Vezzetti
Employment and Training
MOST Worker

Dear Mr. Chairman:

If this current welfare reform legislation seeks to break the cycle of poverty it should do so by helping able bodied welfare clients to help themselves. This can only be done by giving them responsibility and holding them accountable for their actions. This is what weare doing in Marquette County, Michigan.

In our county we view able bodied welfare clients as capable... responsible individuals who can fulfill obligations if given the opportunity. They are treated like any other member of society.. and they respond positively. This approach differs from traditional social work practice which fosters dependency.

I have been employed by the Michigan Department of Social Services for ten years. For the past seven I have administered everchanging employment and training programs designed to help employable welfare clients. MOST(Michigan Opportunity & Skills Training) is our current state program and framework for Marquette County's local plan. We have developed many innovative and creative programs...that work!

The key...our local philosophy which emphasizes helping able bodied welfare clients to help themselves.

Daniel R. Vezzetti
Daniel R Vezzetti

Prepared Testimony
Sandra S. Gardebring
Commissioner
Minnesota Department of Human Services
March 30, 1987

THANK YOU. AS COMMISSIONER OF THE MINNESOTA DEPARTMENT OF HUMAN SERVICES, WHICH ADMINISTERS WELFARE PROGRAMS IN OUR STATE, I'M VITALLY CONCERNED WITH ATTEMPTS TO MAKE THE SYSTEM WORK BETTER. SO I'M GLAD FOR THE OPPORTUNITY TO TALK TO YOU ABOUT REPRESENTATIVE FORD'S FAMILY WELFARE REFORM ACT OF 1987.

IN MINNESOTA, AS IN OTHER PARTS OF THE COUNTRY, WELFARE REFORM HAS BECOME A MAJOR PUBLIC POLICY ISSUE. DEBATE OVER WELFARE ISSUES, INCLUDING ATTEMPTS TO CUT AFDC GRANT LEVELS BY 30 PERCENT, KEPT A CONFERENCE COMMITTEE DEADLOCKED WELL BEYOND THE SCHEDULED END OF THE MINNESOTA LEGISLATURE'S 1986 SESSION. TO RESOLVE THE IMPASSE, GOV. PERPICH PROPOSED THE FORMATION OF A BI-PARTISAN COMMISSION ON WELFARE REFORM TO STUDY THE ISSUES, AND THEN RECOMMEND ACTION BEFORE THE BEGINNING OF THIS YEAR'S SESSION.

THE 10-MEMBER COMMISSION'S EXCELLENT REPORT HAS DONE MUCH TO INFORM THE DISCUSSIONS NOW TAKING PLACE IN OUR LEGISLATURE. IN ADDITION TO THEIR WORK, MANY OTHER GROUPS, IN AND OUT OF GOVERNMENT, HAVE BEEN LOOKING AT THIS ISSUE IN MINNESOTA AND HAVE CONTRIBUTED GREATLY TO OUR STORE OF INFORMATION AND IDEAS. I'VE DRAWN ON SOME OF THAT IN SELECTING THE POINTS I WANT TO MAKE TODAY.

I'LL CONFINE MY REMARKS TO FIVE AREAS.

FIRST, I WANT TO EXPRESS MY SUPPORT FOR A WELFARE REFORM PLAN THAT IS BASED ON HELPING INDIVIDUALS WHO RECEIVE PUBLIC ASSISTANCE CONTRIBUTE TO THEIR FAMILIES' SUPPORT THROUGH THEIR OWN EFFORTS. WORK, BY BOTH CUSTODIAL AND NONCUSTODIAL PARENTS, IS PROPERLY THE FIRST SOURCE OF FAMILY INCOME. AT THE SAME TIME, HOWEVER, I WANT TO STRESS THE IMPORTANCE OF FINANCIAL ASSISTANCE STANDARDS THAT ADEQUATELY PROVIDE FOR BASIC HUMAN NEEDS.

I'M CONCERNED THAT THE POPULARITY OF "WORK AND TRAINING" KINDS OF APPROACHES TO WELFARE REFORM MAY TEND TO OBSCURE THE FACT THAT, FOR A VARIETY OF REASONS, MANY FAMILIES WILL BE DEPENDENT ON GOVERNMENT HELP FOR EXTENDED PERIODS OF TIME. THE BEST STUDIES INDICATE THAT, IN MOST SETTINGS, THE REDUCTION IN WELFARE CASELOAD FROM WORK PROGRAMS IS MARGINAL. CERTAINLY, WORK PROGRAMS SHOULD BE ONE PIECE OF OUR EFFORTS TO MAKE WELFARE WORK BETTER FOR THE PEOPLE WHO RECEIVE IT--AND FOR THE OTHER PEOPLE IN OUR SOCIETY WHO PAY FOR IT. BUT A DECENT LEVEL OF FINANCIAL ASSISTANCE IS AN INDISPENSIBLE AND IRREPLACEABLE PART OF ENSURING THAT PEOPLE RECEIVE THE HELP THEY NEED, NOT JUST TO SURVIVE, BUT TO RAISE THEIR FAMILIES WITH SOME DIGNITY AND HOPE.

FOR THAT REASON, I'M VERY PLEASED THAT THE FORD BILL GIVES SERIOUS ATTENTION TO FINANCIAL AID STANDARDS. COMING FROM A STATE THAT HAS MAINTAINED ONE OF THE HIGHEST AFDC PAYMENT STANDARDS, I AM ESPECIALLY GLAD TO SEE THE ENHANCED FEDERAL FINANCING FOR BENEFIT INCREASES.

I SHOULD SAY, TOO, THAT MINNESOTA'S EXPERIENCE HAS BEEN THAT A RELATIVELY GENEROUS LEVEL OF FINANCIAL AID IS NOT INCOMPATIBLE WITH ENCOURAGING RECIPIENTS TO WORK. DESPITE HAVING THE FIFTH HIGHEST AFDC PAYMENT STANDARD IN THE COUNTRY, WE HAVE ONLY THE 32ND HIGHEST PER CAPITA USE RATE. AND WE KNOW THAT ABOUT HALF OF THE SINGLE PARENTS WHO LEAVE AFDC FOR GOOD IN MINNESOTA DO SO BECAUSE THEY'VE OBTAINED WORK. SO WE BELIEVE THAT ADEQUATE FINANCIAL AID STANDARDS DON'T INEVITABLY ROB PEOPLE OF THEIR INCENTIVE TO BECOME SELF-SUPPORTING.

THE SECOND POINT I WANT TO MAKE IS THE IMPORTANCE OF SUPPORT FOR FAMILIES. WE FAVOR EXTENDING NATION-WIDE ELIGIBILITY TO TWO-PARENT FAMILIES WHERE THE PRINCIPAL WAGE EARNER IS UNEMPLOYED, AND WE STRONGLY SUPPORT ESTABLISHMENT OF PATERNITY WHENEVER POSSIBLE. ALTHOUGH IT'S NOT COST-EFFECTIVE IN EVERY CASE, WE BELIEVE SEEKING TO ESTABLISH PATERNITY MAKES AN IMPORTANT STATEMENT THAT PRODUCING A CHILD IS A SERIOUS MATTER WITH LIFELONG CONSEQUENCES.

THIRDLY, I WANT TO EMPHASIZE THE IMPORTANCE OF ALLOWING STATES FLEXIBILITY IN TARGETING SEGMENTS OF THEIR WELFARE CASELOADS FOR SPECIAL INTERVENTION.

AS YOU KNOW, THERE ARE SIGNIFICANT DIFFERENCES AMONG AFDC RECIPIENTS, JUST AS THERE ARE AMONG ANY POPULATION GROUP. IN

MINNESOTA, STUDIES HAVE SHOWN THAT 56 PERCENT OF SINGLE PARENTS USING AFDC FOR THE FIRST TIME WILL BE ON THE PROGRAM FOR LESS THAN TWO YEARS. ONLY SEVEN TO 10 PERCENT USE THE PROGRAM LONG-TERM (WHICH IS DEFINED AS FOR MORE THAN 84 MONTHS). YET THAT SMALL PERCENTAGE WILL CONSUME FROM 32 TO 45 PERCENT OF AFDC EXPENDITURES. STEWARDSHIP OF OUR LIMITED FUNDS REQUIRES THAT WE FOCUS OUR EFFORTS ON THOSE PEOPLE WHOSE USE OF PUBLIC ASSISTANCE IS PROLONGED AND PROBLEMATIC. SO WE SUPPORT THE IDEA OF TARGETED INTERVENTION, AS WELL AS TARGETING THOSE PEOPLE WHO ARE LIKELY TO HAVE THE MOST DIFFICULTY FINDING JOBS.

AT THE SAME TIME, HOWEVER, I WOULD URGE YOU NOT TO SPECIFY IN LAW THE SPECIFIC TYPES OF PEOPLE STATES MUST TARGET FOR SPECIAL INTERVENTION. RATHER, STATES SHOULD BE ALLOWED TO DETERMINE (AND BE PREPARED TO JUSTIFY) THE TYPES OF PEOPLE TO BE TARGETED.

THERE ARE TWO BASIC REASONS WHY FLEXIBILITY IS SO IMPORTANT. FIRST, THE TECHNOLOGY OF TARGETED INTERVENTION IS EVOLVING AND NEEDS TO BE DEVELOPED FURTHER. MINNESOTA HAS INVESTED CONSIDERABLE EFFORT IN IDENTIFYING PREDICTORS OF LENGTH OF AFDC USE. OTHER FACTORS, SUCH AS THE BEST WAY TO TIME INTERVENTION, NEED STUDY. SO OUR CURRENT NOTIONS ABOUT WHICH GROUPS TO TARGET MAY CHANGE OVER TIME AND WE NEED TO HAVE THE FLEXIBILITY TO CHANGE WHAT WE'RE DOING AS WE KNOW MORE. SECOND, DIFFERENCES IN CASELOADS AND CIRCUMSTANCES MUST BE CONSIDERED IN DETERMINING TARGET GROUPS AND INTERVENTION STRATEGY. JUST WITHIN MY OWN STATE, THERE ARE BIG DIFFERENCES BETWEEN THE TWIN CITIES METRO AREA AND OUTSTATE MINNESOTA. FOR EXAMPLE, SINGLE-PARENT CASES IN THE METRO AREA HAVE DECLINED SINCE 1980. OUTSTATE, THEY'VE INCREASED. DIFFERENCES FROM STATE TO STATE OBVIOUSLY WILL EXIST, TOO, AND I WOULD ASK YOU TO PLEASE ALLOW US THE FLEXIBILITY TO CHOOSE TARGET GROUPS BASED ON INDIVIDUAL STATE'S POPULATIONS AND THEIR NEEDS.

THE FOURTH AREA I WANT TO TOUCH ON IS WORK INCENTIVES. I APPLAUD THE REINTRODUCTION OF A REASONABLE "DISREGARD" OF EARNED INCOME. WHILE OUR EVIDENCE SUGGESTS THAT AFDC RECIPIENTS HAVE LEFT THE PROGRAM THROUGH WORK AT A HIGH RATE IN RECENT YEARS, THE ABSENCE OF A MEANINGFUL DISREGARD MAY HAVE AFFECTED THE AMOUNT OF WORK AMONG THE LONG-TERM USERS WHO HAVE REMAINED ON AFDC. PRIOR TO PASSAGE OF OBRA (OMNIBUS BENEFITS RECONCILIATION ACT), WHEN MEANINGFUL INCOME DISREGARDS WERE IN PLACE, 44 PERCENT OF SINGLE

PARENTS IN MINNESOTA WHO HAD USED AFDC FOR FIVE OR MORE YEARS WERE WORKING. AFTER OBRA WENT INTO EFFECT IN OUR STATE IN 1982, THAT RATE DROPPED TO 14 PERCENT.

WE ALSO SUPPORT THE ELIMINATION OF THE "100-HOUR" RULE IN THE "UNEMPLOYED PARENT" CATEGORY. MANY FAMILIES IN RURAL MINNESOTA WOULD BE PREPARED TO WORK AT THE LOW-PAYING JOBS AVAILABLE, BUT CAN'T SUPPORT THEIR FAMILIES ON SUCH WORK ALONE. REPEAL OF THE RULE WOULD ALLOW THOSE FAMILIES TO TAKE AVAILABLE JOBS AND DEPEND ON WELFARE FOR SUPPLEMENTAL HELP NEEDED TO MAKE ENDS MEET.

THE FIFTH, AND FINAL, AREA I WANT TO MENTION IS CHILD SUPPORT. I HAVE SOME RESERVATIONS ABOUT THE DESIRABILITY OF DISREGARDING $100 IN CHILD SUPPORT PAYMENTS. WE HAVE NO EVIDENCE THAT THE CURRENT $50 DISREGARD AFFECTS THE RATE OF CHILD SUPPORT PAYMENTS. SO, IN MINNESOTA, THERE APPEARS TO BE NO BENEFIT FROM THE PROPOSED DISREGARD THAT WOULD JUSTIFY THE LOSS OF REVENUE TO OFFSET THE ASSISTANCE GRANT.

IN FACT, THERE'S ONE MAJOR PROBLEM CONNECTED TO THIS DISREGARD. CHILD SUPPORT ACTS AS A MAJOR INCENTIVE TO LEAVE AFDC THROUGH WORK. WHILE THE FAMILY IS ON AFDC, THE AMOUNT OF CHILD SUPPORT COLLECTED BY THE AGENCY SIMPLY OFFSETS AFDC PAYMENTS AND IS UNSEEN BY THE FAMILY. WHEN THE FAMILY LEAVES AFDC, HOWEVER, CHILD SUPPORT IS NO LONGER AN OFFSET TO OTHER INCOME, BUT BECOMES INSTEAD AN ADDITION TO OTHER INCOME. THE INCENTIVE FOR SUBSTITUTING WORK FOR AFDC IS INCREASED BY THE VALUE OF THE CHILD SUPPORT PAYMENT. A DISREGARD OF CHILD SUPPORT PAYMENTS ERODES THE INCENTIVE TO LEAVE AFDC. IF THE AIM IS TO INCREASE AID TO RECIPIENTS, WE THINK IT MAKES MORE SENSE THAT THE GOAL BE PURSUED THROUGH ADJUSTING ASSISTANCE STANDARDS.

I WANT TO THANK YOU AGAIN FOR THE OPPORTUNITY TO SPEAK TO YOU. WELFARE REFORM IS ONE OF THE MOST IMPORTANT PUBLIC POLICY ISSUES OUR STATES AND NATION WILL EVER FACE, AND IT DESERVES OUR BEST EFFORTS AT PRODUCING A SOLUTION THAT WILL WORK, AND WORK WELL. THANK YOU.

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